FINANCIAL TIMES

WEDNESDAY JANUARY 6 1999

Combined with higher recent

vields, which have become more

attractive compared with US

Treasuries, the comments helped

Treasuries has narrowed 75 basis

points (0.75 of a percentage point)

In London, the dollar's perfor-

Analysts were sceptical about

mance against the yen relegated

the second day of trading in the

the Japanese government's expla-nations for the yen's rise and

said its strength, far from being

welcome, was evidence that the

Japanese authorities had backed

themselves into a corner.

since October to 325 points.

euro to a sideshow.

ing at Y111.47 in Tokyo.

World Business Newspaper http://www.FT.com

Europe's destiny Will the grand project work? Martin Wolf, Page 12



By Paul Abrahams in Tokyo

and Alan Beattle in London

The US dollar fell sharply to a

19-month low against the ven in

Tokyo yesterday after Eisuke

Sakakībara, Japan's vice finance

minister for international affairs,

said the US economy looked "bubble-like", that stock prices

would fall and growth would

Mr Sakakibara, known as "Mr

Yen" for his ability to move the currency markets, explained in

an interview in the Nikkei Keizai

newspaper that the value of the

two currencies would depend on

the economies' relative strengths.

"The US economy has entered

phase of slower growth. Should

the Japanese economy pick up from the middle of the year, the

basic trend will be toward a

stronger yen," he said.

Portfolio investment New world disorder after last year's turmoil John Plender, Page 13



gist at Warburg Dillon Read in

London, "so the massive bond

issuance to fund the govern-

long-term interest rates and caus-

Analysts said that the weak-

ness of the Japanese economy,

now further threatened by a

strong currency, meant the yen

was likely to weaken in the lon-

ger term. But given the Bank of

Japan's unwillingness to print

money, the economy might well

have to implode to bring this

about, they said. Ken Landon, currency analyst

at Deutsche Bank in Tokyo, said

the interview with Mr Sakaki-

bara was significant because it

ing the repatriation of capital.

against Japan's currency

Views of Tokyo's 'Mr Yen' and higher government bond yields depress US unit

Japanese government bond Cameron Crise, currency strate-

depress the dollar to Y110.7. It ment's fiscal stimulus pro-strengthened slightly before clos-gramme is simply driving up

"The Bank of Japan shows no indicated that the official in

The spread between the yield ing the repatriation of capi on 10-year JGBs and 30-year US This is pushing up the yen."

Business novels Shelves bare of good corporate reads John Kay, Page 10

inclination to buy JGBs," said charge of currency policy was

Dresdner Bank 'Me too' for investment banking Page 18

omy. But he warned: "Japan can-

not export its way out of the eco-

Japan-US relations."

the currency market.

nomic slump given the state of

Keizo Obuchi, the Japanese

prime minister, is expected to raise the issue of exchange rate

management of the world's larg-

est currencies during his trip to

Europe which starts today. Japa-

nese ministers have recently called for "managed flexibility",

setting loose targets to stabilise

Obuchi's visit to Europe, Page 2;

Consumer row hampers sales, Page

2; Asian downturn hits Australia,

Page 4; Bonds, Page 22; Currencies

WORLD NEWS

US warplanes fire missiles in aerial clash with Iraq

US warplanes fired missiles at Iraqi jets in the first air-to-air confrontation between the two countries in six years, as Saddam Husseln, Iraqi president, called on Arabs to overthrow their governments. Page 14; US

MEPs back whistle-blower Antagonism between the European Commission and European Parliament intensified as MEPs expressed anger over the Commission's suspension of a "whistie-blower" who made allegations about fraud and mismanagement In Brussels. Europe, Page 2

Target closes late for second day Target, the European Central Bank's system for clearing high value payments in euros, had to close late again on its second day of operation after problems Femerged in the Portuguese payments system. Europe, Page 2

Malaysia admits police beat Anwar The Malaysian government admitted that police had beaten Anwar Ibrahim, the sacked former deputy prime minister, while he was in custody. But they said not all his injuries were caused by the police. Asia, Page 6

Further blow for German economy Confidence in the German economy suffered a further blow as an economic institute revised its growth forecast for 1999 downwards. Europe, Page 2

UN may pull out Angola forces Kofi Annan, the United Nations secretary-general, is expected to recommend an end to failed peacekeeping efforts in Angola. International, Page 5

Ministerial system finds favour Momentum is gathering for Hong 5 Kong to adopt a ministerial-style system, rather than continuing to rely on non-political civil servants as policy makers. Asia, Page 6

Americans in Egypt warned Americans in Egypt were warned that militant groups may be planning attacks on them. International, Page 5

Brazilian state halts debt payment The Brazilian government could face a political battle with several state governors after the state Minas Gerais declared a moratorium on debt repayments to Brasika, Americas, Page 4

Postwar treaty raises doubts A 1948 treaty between Italy and the Soviet Union has thrown doubt over claims by Assicuraztoni Generali, the Italian Insurer, that it was never legally liable to compensate heirs of policyholders who perished in the Holocaust, Europe, Page 2

Top 10 for former Fugees star Lauryn Hill, part of the Fugees hip-hop trio, collected 10 Grammy nominations yesterday for her solo debut album, The Miseducation of Lauryn Hill. US and Canada, Page 4

Nationalists win access to officials Opposition parties including the Scottish National party are to be allowed to hold confidential meetings with government officlais before elections to the Scottish parliament, UK, Page 8

BUSINESS NEWS

Vivendi is first to

Vivendi, the French utility, launched the first convertible to raise up to €1.7bn. it will be convertible into new or existing from a European issuer behind France Telecom. European companies, Page 18

SAP, the German software group that is a beliwether for Europe's technology sector, saw its shares tumble after it said sales problems in Japan caused profits to fall well below company forecasts. Page 15; Lex, Page 14

Scandinavian Airlines System, the three-nation Nordic carrier, is planning to seek a multimilliondollar compensation package from Boeing following late aircraft deliveries by the US aircraft manufacturer. World trade, Page 7

Ford Motor, the US carmaker at the centre of speculation about takeovers and alliances, denied reports that it was about to buy BMW and Honda. Page 15

renewed pressure as its big European creditors threatened to it resumed paying. Asia-Pacific companies, Page 17

Into Italy by acquiring a 0.75 per cent stake in UniCredito, Italy's largest bank by market capitalisation and third biggest in terms of assets. European companies,

ING Barings, the investment bank rebuilt under Dutch ownership after the 1995 collapse of London's Baring Brothers, is to decide its future next month amid fears that cuts in its operations may be deeper than previously indicated. European companies, Page 18

The Philippine government is to tap the international bond markets for up to \$750m later this week in the first sovereign bond offering by a south-east Asian

engineering and construction group, said its non-core asset disposal programme had raised NKr2.2bn (\$293m) in the past three months. European companies, Page 18

Meyer international, the UK's William Pont Holding of the Netherlands. UK companies,

Semiconductor manufacturers, including seven of the top 11, saw worldwide revenues fall by at least 14 per cent as weak memory chip prices and overcapacity hit the industry again last vear. Page 15

euro currency zone, covering foreign exchange, bond and equity markets.

Dollar hits 19-month low

issue convertible bond in euros

bond issue denominated in euros shares and is the second biggest

Philippine Airlines came under

Deutsche Bank extended its push

government since the start of the Asian crisis in late 1997. Page 14

biggest builders' merchant, has sold its underperforming Dutch businesses for £56m (\$94m) to Page 19

WORLD MARKETS

STOCK MARKET INDICES New York: Lunchtime Dow Jones and Av	(+84.74) (+27.59) (+63.28) (+1.55) (+78.8) (+17.19) (-183.15) (61 ₂ %) (187.284) (1881) (107.86) (98.526)	GOLD New York: Cornex \$287.8 London: \$287.05 DOLLAR New York: Lunchtime \$	(288.3) (286.75 (1.6599) (0.8476) (1.9683) (112.845) Y 111.05 (1.1799) (0.7109)
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Brent Dated\$\$10.38	,,,	3/1	

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pull out of negotiations on the airline's rehabilitation plan unless

Kyaemer, the Anglo-Norwegian

Euro Prices

A comprehensive statistical guide to the Page 20

Clinton trial will begin tomorrow

By Mark Suzman in Washington

tomorrow, Senate leaders announced yesterday.

Trent Lott, Senate majority leader, said he had made the decision after consultations with Tom Daschle, Senate minority leader, and William Rehnquist, chief justice of the Supreme Court. He gave no details on the timing and format of the proceedings, saying only that they would be "determined by discussions". Joe Lockhart, the president's

press secretary, said the White House hoped for more clarification. "We'd like to know which direction we're going in, but we understand the process," he said. The move follows growing pressure from Democrats and moderate Republicans to bring the matter to a speedy conclusion. Both sides agree that on current evidence it would be almost impossible to find the two-thirds majority in the Senate

required to convict Mr Clinton. They have been urging Mr Lott to organise a rapid trial that allows for the possibility of alternative punishment, such as censure. In deference to these calls,

trial lasting only four days. Under his plan, the members of President Bill Clinton's the House of Representatives impeachment trial over the Mon- who would serve as Mr Clinton's ica Lewinsky affair is to start prosecutors would have a day to make their case, followed by a day of rebuttal from the White House, a third day of questioning by senators and then a vote on

whether to go to a full trial. If Mr

Clinton were acquitted, the Sen-

ate would then discuss possible However, several conservative Republicans have said they would oppose an accelerated trial. Phil Gramm, an influential senator from Texas, warned the idea was "dead". Mr Lott said he expected to release more details

before proceedings began. The White House would prefer a rapid trial, but Mr Clinton's drawn-out legal debate. They are planning an aggressive attack on the evidence and arguments amassed by Kenneth Starr, the special prosecutor.

The trial has been triggered by last month's House vote to pass two articles of impeachment alleging Mr Clinton committed perjury and obstructed justice in trying to cover up his affair with Ms Lewinsky.

Mr Lott has been proposing a Congress reconvenes, Page 6

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Full contents and Lext back page

Vodafone seeks \$55bn merger with AirTouch

By William Lewis and ichard Waters in New York and Wan Cane in London

giving a nod to a strengthening

of the yen, even from these lev-els. This was important because,

in June 1997, when the yen had

reached 110.65, Mr Sakakibara

had said he did not want the yen

companies' stocks and the bench-

mark Nikkei 225 average closed down 1.3 per cent at 13,232.

maker, warned it would struggle

to make a profit at parent level if

the yen remained at its present

strength. However, Takashi Imai,

head of the Keidanren, Japan's

biggest business lobbying organi-sation, said if the yen remained

between Y110 and Y120 against

the dollar it would be acceptable.

the yen strengthened too much it

would harm the Japanese econ-

Mr Sakakibara admitted that if

Nintendo, the computer games

The yen's rise hit exporting

to strengthen any further.

Vodafone, the UK-based international mobile phone operator, is proposing to merge with AirTouch in a deal that values the US-based cellular phone company at about \$55bn.

The offer is an attempt to land a knock-out blow against Bell Atlantic, the US regional tele-\$74 a share. Bell Atlantic and Air- progressed. Touch have confirmed they are in talks but have yet to set condi-

If Vodafone's pre-emptive creating the world's largest no assurance that any ag mobile phone group with a mar- can or will be reached." ket capitalisation of about

mitted by Goldman Sachs, Vodafone's financial adviser, over the weekend following the disclosure Jordan's King Husseln, leaving the US following cencer therapy, embraces Queen Noor after seeing President Clinton | Air Touch were in negotiations. It | Vocations reliables hunt, Page 16

was initiated by Chris Gent. Vodafone's managing director, and Julian Horn-Smith who controls Vodafone International. The unsolicited bid is thought to be

worth more than \$90 a share. In morning trading on Wall Street yesterday Air Touch's stock price rose \$5% to \$73%. Vodafone is proposing to structure the deal as a merger of equals, with a near 50-50 split with AirTouch. However, people coms operating company, that is close to the situation warned that preparing a takeover offer for the terms of the proposed deal AirTouch worth about \$45bn or could change as negotiations could change as negotiations

Yesterday, following press reports in the US, the UK company issued a statement stating it had made "an approach to Airstrike is successful, it would be Touch regarding a possible one of the 10 biggest deals yet, merger". It added: "There can be

Although Vodafone gave no further details, investors in the The bid, mainly stock but with UK company applauded the a small element of cash, was sub- move, sending its stock price up about 6 per cent.

Observer, Page 13

You have a great acquisition opportunity.

Can you spare the cash)

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Keizo Obuchi, Japanese Paris today at the start of a week-long tour of Europe in which he is expected to call for a new international financial order centred on he said. the dollar, the euro and the yen and a loose exchange rate grid for the three key

Japan has lived in an economic world centred on the dollar," Mr Obuchi said yesterday on the eve of his departure. The launch of the curo would create a second international currency, "but having three key currencies could serve to further reduce

as the yen's sharp rise yesterday triggered alarm in Japan, echo calls made earlier by key government officials for the need to establish a monetary system

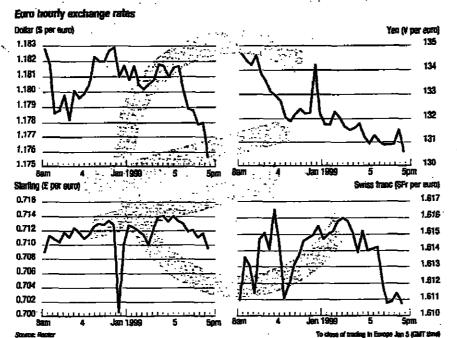
minister, called for greater currency stability by prime minister, arrives in introducing "managed flexibility" into the market. This could be done by setting loose exchange rate

> targets for key currencies, "The birth of the euro will help promote such talks," Mr Miyazawa said.

However, resistance to the idea of exchange rate target zones from countries such as the

Although government officials would not indicate whether Mr Obuchi planned to make any concrete proposals for such a new monetary order directly to European leaders during his tour of France, Germany and Italy, they confirmed that the international financial system would be an important focus of his discussions with them.

"With the trip coming on the heels of the euro's birth. regarding the international financial system will be the main



Obuchi's according to Reuters.

Since the launch of the euro was likely to herald a new era in which the international financial system was no longer completely dominated by the US dollar, it offered an opportunity to rethink the entire system, Japanese finance officials said.

Together with the euro's greater use of the yen to launch, strengthening the international currency will

topic," Akitaka Saiki, Mr also have a stabilising effect deputy on foreign exchange particular spokesperson said yesterday, markets, particularly with "The yen is used in only 5

per cent of international trade transactions." Mr Obuchi noted. cent for the US dollar and 31

per cent for the 15 EU be desirable for the yen exchange rate to remain countries, according to the Japan needed to promote relatively stable," Mr Obuchi

the yen, Mr Obuchi said.

ensure that the euro's UK central bank, Page 8 launch did not marginalise

If Asian countries in

encouraged to hold more yen

dollar, sharp exchange rate

fluctuations such as those

that caused the Asian

currency crisis might be

"Fundamentally, it would

could be

HK bank chief argues for Asian monetary union

The head of Hong Kong's de focto central bank yesterday catapulted proposals for Asian monetary union into a formal arena, telling fellow central bankers such a step could increase stability and cut costs throughout the

Speaking at a central banking symposium in the Philippines, Joseph Yam. chief executive of the Hong Kong Monetary Authority. said that despite Japan's strong commercial and financial influence the yen had failed to fulfil the role of a major anchor currency in

countries' Several attempts partially to link their currencies to the US dollar had also proved expensive and disruptive.

"The time may come when we may want to consider the possibility of our own Asian something along the lines of an Asian Currency Unit that would form an anchor

of an Asian version of the euro last week, when he said

financial markets would make the region less vulnerable to the speculative attacks that hounded Hong Kong and other economies in the wake of the Asian financial crisis.

Yesterday, Mr Yam listed further advantages. A unified currency would reflect the region's strong trade linkages (much of this trade is now carried out in US dollars) and also help address problems of intermediating financial resources within Asia. "At present, Asia's central

banks invest massive amounts in securities, particularly US dollar assets, only to see volatile funds flow back to the region from overseas

"By investing reserves directly in Asian financial assets, this type of costly and unstable recycling through developed markets could be reduced." he said.

Mr Yam was careful to add that any such union would face many obstacles and a lengthy gestation period. Asia's disparate economies are at much more disparate stages of development than those of Europe, especially greater Asian unity in since the crisis.

Postwar treaty possibility of claims

thrown doubt over claims be Assicurazioni Generali, the never legally liable to compensate heirs of police holders who perished in the Holocaust.

The news, made known by a member of the Israeli Knesset, is potentially a seri ous complication to the work of the commission on holocaust-era insurance claims burger, the former US secretary of state. The commission, expected to meet within the next few weeks, is required to negotiate with insurance companies and Communist bloc countries that nationalised insurers assets after the war.

Generali, which operated throughout eastern Europe before the second world was has insisted it was never compensated for assets cc. fiscated by the communists.

It attempted to settle with lawyers suing it on behalf of Holocaust victims last year but US insurance commisintended to pay, saying that its liabilities to policyholders could reach \$1bn. Generali is one of the six insurers that have agreed to be bound by the findings of the Eagleburger commission.

The drive to agree a settlement over insurance policies lows last year's agreement between Jewish groups and Swiss banks over Holocaust

Yesterday, Michael Kleiner, the chairman of the Knesset's subcommittee on insurance, published a powar treaty under which Ita agreed to pay \$100m in rep rations to the Soviet Union.

According to the accord, part of the reparations were to be paid with Italian assets in Bulgaria, Romania and to compensate all natural property is taken for reparations purposes". Such compensation would extend to companies, possibly those out because the Italian state had used their assets for reparations to the USSR.

Although the treaty does not prove that Generali was compensated, Mr Kleiner said he believed the company "wittingly lied when it repeatedly claimed i received no compensation for its property that was nationalised". Generali had not yet responded to the charges last night.

Mr Kleiner also accused Generali of trying to block publication of a list including more than 300,000 names of pre-war policyholders. The move, along with the

establishment of a \$12m ex gratia compensation fund. was seen as an attempt by the company to clear its name after Israeli MPs threatened to block Gener-

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EURO CLEARING OPERATION GLITCH IN PORTUGAL CAUSES SLIGHT DELAY

Target system is forced to close late again

By George Graham and

ments in euros, had to close late again yesterday on its second day of operation after exchange settlement and problems emerged in the Portuguese payments sys-

ute delay in closing the Tar- another financial institution

minute delay was unlikely to create difficulties.

among the few glitches that have emerged in the first days of trading for the euro, although some errors have been reported in foreign securities custody. Warburg Dillon Read, the investment banking arm of Switzer-Bankers said the 90-min- land's UBS, confirmed that

sorted out at board level. Several custodians had still not reported details of fund management clients, prompting several fund managers to worry about the settlement process for trades that have been carried out in the new currency this week. for most securities in the get system on Monday night had sent it the same pay participating countries is Thursday. "We didn't expect problems, and last night's 60- foreign exchange transac- these banks to be late so it's

tion, but the error of more a bit worrying. They haven't smaller countries, these change for the conversion than €600m (\$702m) was got much longer to sort their have only just converted to based fund manager

ECB officials said the Tarby problems in the system

itself, but some individual banks had encountered difficulties with wrongly routed or mishandled orders.

get delays were not caused the end of the day.

value payment systems of all

settling up net balances at

The custody problem seems to have hit the operations of some European largest global custodian banks which hold trillions of dollars-worth of securities.

ABN Amro, the Dutchoperations at the centre can owned bank, was one to tender results, breaching an be held up by glitches in have experienced technical ECB regulation, Reuters

more traditional method of in assets, blamed minor to send out reports yesterday. It stressed there would be no settlement problem.

national systems. In many difficulties in reporting the reports from Frankfurt.

has custody of about \$500bn cated to the euro-zone money market, €45bn was technical glitches for falling awarded to the German banking sector. The additional informa-• Germany's Bundesbank money market traders,

banks as opposed to the very yesterday found itself in an angered other European cenagreed not to publish released a breakdown figure country-specific tender on the first euro refinancing The Bundesbank later admitted its publication was

EURO LABELLING CONSUMERS OUTSIDE SINGLE CURRENCY COULD BE BIGGEST LOSERS

German confidence suffers further blow

By Raiph Atkins in Bonn

economy suffered a further blow yesterday when a leading economic Institute revised its growth forecast for 1999 substantially downwards, blaming the deterioration on the international The Berlin-based German

Institute of Economic build investor confidence. Research (DIW) said it mer, the institute was forecasting a growth rate of 2

Its forecast is likely to receive particular attention nomic policy," he said. in Bonn because Heiner the finance ministry and worked previously as DIW's

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SWEDEN:

FINANCIAL TIMES

chief economist. Urging a break from a purely supplycalled for monetary, fiscal attempt to compensate for a exports. It urged the Euro- 2.2 per cent. pean Central Bank to cut interest rates further to lished by the Italian Trea- best buys.

The DIW report follows product to grow by just 1.4 this week by Mr Flassbeck per cent this year. Last sum- about business confidence. A slowdown in growth across Europe could lead to unemployment rising and "a bitter setback for European eco-

The DIW forecast that German exports of goods and services would fall by 1.1 per close adviser to Oskar Lafon- cent this year. Germany weaknesses across the Euro-

pean Union, particularly in the UK, as well as a less Confidence in the German side response, the DTW favourable climate in the US. and wage policies to be improvement in unemploy- prices. By making price tags "clearly orientated" towards ment, with the average job- directly comparable from economic expansion in an less total remaining above one EU country to another. 4m, although private con- goes the patter, discrepansubstantial weakening in sumption would increase by cies will gradually be whit-

sury says Italy's gross domestic product growth in sion will only be triggered expected gross domestic worries expressed earlier 1998 may have been just 1.5 per cent, and suggests for the first time that its official estimate of 2.5 per cent growth this year "may need to be decreased." James Blitz writes from Rome. The document warns that nated in Belgian francs.

Italy's budget deficit-to-GDP ratio in 2001 could be 1.86 per cent rather than the current target of 1.0 per cent if taine, finance minister, would be hit by economic economic growth were to organisations, shops will meet a worst-case scenario.

Dangers lie in dual pricing

One of the loudest sales pitches used by politicians to promote the euro has been It expected no dramatic the sources it will put on tled down as roving bargain • A new document pub- hunters shop around for the

The promised price implowhen shops start to price their goods in euros as well as in national currencies, a move barely yet in evidence. Even in Brussels, the self-styled capital of Europe, tags are still firmly denomi-

But under an agreement drawn up by the European Commission and signed by leading retail and consumer gradually introduce dual

<u>. </u>	Low	High .	· LOW	.High:	· FOM	High	· · · LDW	High	Low	High
Austria	118	126	127	; 130			- 125	126	139	. 149
Seiglum *	111	132	115	132	113	1119	130	130	105	122
France	119	141	121	145	106	112	134	1141	-	-
Genteerly	. 105	185	112	118	110	113	- 118	120	106	118
italy-	121	128	117	147		. -	- *100	110	117	139
ттянротд	121	121	120	120	117	117	124	124	-100	· 100
Netherlands	117	128	125	129	107	113	124	125	153	1166
Portugal	195	128	103	129	103	104	116	128	110	128
Spain	700	118	-100	115	700	100	110	117	137	149
IN	160	4455	176	1172			125	195		

towards price transparency.

consumers will be well versed in the new currency. But the agreement is voluntary and as a survey carried out by Test Achats, the

tags this year as a first step Belgian consumer association, reveals the marked dif-Come 2002, when the first ferences in the prices of euro notes and coins start to goods between EU countries circulate, the idea is that could tempt shops to be selective in double pricing.

And what incentive would a French electronics retailer have to stick a euro price on Germany?

"There is a danger that retailers will use dual prices for bargains and not for expensive items," says Jim Murray director of Beuc, the European consumers organisation. Henrik Kröner, secretary-general of Eurocommerce, the European retailers' and wholesalers' organisation, says these fears are exaggerated.

"The need to price goods in euros cannot be avoided." he says. "Sooner or later shops are going to have to do so, and competition is going to drive that forward." Consumers in countries

outside the single currency are likely to be the biggest losers. Since Britain is the EU's most expensive country, according to the survey, British retailers will have an incentive to leave euro ali's acquisition of Migdal a

prices off labels for as long leading Israeli insurance

FINANCIAL SERVICES CROSS-BORDER BUSINESS COMPLICATED BY RIGHTS DISPUTE

Consumer row hampers sales



the market

The launch of the euro should have set the seal on a single European market for financial services. The trouble is that things have not gone quite to plan.

bloc covering the 11 countries adopting the new currency has come into existence, efforts to promote cross-border sales of financial products such as mortgages, life assurance and pensions have been complicated by a fight over consumer rights which extends

sion itself. At issue is how to offer European consumers a full choice of financial services services. The first system is able to redeem it quite easily while protecting them from cheaper and simpler for com- but in Germany current mis-selling and fraud. In panies and so should help rules make early redemption roughly opposing corners promote a single market. much harder. are the Commission's single The second would help pro-

into the European Commis-

When acknowledging that system.

"cross-border sales of traditional financial products to individual consumers single market, the Commistax harmonisation and lack of transparency.

Other factors include protectionism and consumer caution, which is understandable given that financial products are generally more complicated than goods such as cars or washing machines.

But the central conflict is whether financial services companies should be bound can have very different by just the rules of their expectations from those in home country or, instead, by another. For example, somethose of each of the countries in which they sell their in France would expect to be

its own different regulatory

Diane Iannucci, a financial services specialist with Shandwick, a public affairs remain the exception" to the group, in Brussels, says: "The single market directorsion emphasises the prob- ate wants to help suppliers lems posed by insufficient sell services abroad. But the consumer affairs directorate is worried that consumers may be sold services from countries where they don't

know the rules." The choice between systems is particularly important since different regulations, tax and legal systems still prevail across the EU. Consumers in one country

body taking out a mortgage "We strongly condemn the prospect.

tect the consumer, but at the notion that you just apply Commission directorate cost of greater regulation. At country of origin rules right responsible for consumer present, every country has across the board. The situation is more complicated than that," says Jim Murray, head of Beuc, the European consumers' organisation.

The debate is becoming

more urgent because of the

increasing use of the phone

and internet for the selling of financial products. While the single market directorate believes provisions nominally carried out for the overall benefit of consumers have been taken too far in some instances - and have been used to protect national markets from competition - it has so far

proved reluctant to take

legal action against offend-

However, there may be greater progress towards discarding regulations for wholesale customers. For sophisticated purchasers at | resign. least, a single market. guided by the principle of caveat emptor, or buyer beware, is a more immediate

MEPs give backing to whistle-blower

By Ned Buckley in Brussels

The trench warfare between the European Commission and European Parliament intensified yesterday as MEPs expressed anger over the Commission's suspension of a "whistle-blower" who made allegations about fraud and mismanagement in Brussels.

came as the European Union's Brussels-based executive prepared to face a centhe parliament - the EU's only directly elected institu-

News of the suspension

The censure - which foliows months of criticism of shortcomings in EU programmes - would, if carried. force all 20 commissioners allegations, who head the executive to

weapon", parliament's only 1996 budget. official sanction against the

But there was growing pressure yesterday, particularly among the European Liberal Democrats, parliament's fourth largest group, and German MEPs, for an alternative motion calling on two commissioners, France's

Edith Cresson and Spain's

Manuel Marin, to stand

down_ Programmes for which the two commissioners are ultisure motion next week in mately responsible have come in for particular criticism. Mrs Cresson, former French prime minister and now education commissioner, and Mr Marin, a Commission vice-president

motion was triggered by a duty". Several parliamentary surprisingly large vote by groups believe it would be a parliament last month mistake to use this "nuclear against signing off the EU's van Buitenen's dossier, and

have vigorously rejected

Commission. The largest a dossier entitled "How the group, the Socialists, is pre-Commission deals with paring to back the executive. Internal irregularities and cases of fraud" sent to parliamentary leaders a week earlier by Paul van Buitenen - a Commission internal auditor who has now been suspended on half pay.

> had launched disciplinary procedures against Mr van Buitenen – whom it refers to only as "Mr X" - because he broke staff rules by releasing confidential documents. Mr van Buitenen's suspen-

The Commission said it

sion provoked a backlash yesterday, with Green MEPs demanding a full explanation and pledging to set up a "solidarity group in the fig-against fraud". British Conservatives said it was wrong to make a scapegoat of an Next week's censure official "doing his public

The Commission insisted there was nothing new in Mr the cases he mentioned were The mood was inflamed by already under investigation

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NEWS DIGEST ECONOMIC EFFORTS GAIN SUCCESS Belgian budget deficit and debt hit lows

Belgium's budget deficit hit a record low of 1.3 per cent of gross domestic product last year, compared with an original target of 1.7 per cent, while its debt reduction efforts also surpassed expectations.

The debt fell from 121.9 per cent of GDP in 1997 - just over twice the Maastricht convergence target of 60 per cent - to 116.5 per cent in 1998, beating the target of 118 per cent. The projected figure for the end of 1999 has been revised down from 115 to 113.8 per cent - representing a significant fall since the 135.1 per cent reached

This year's budget deficit is again projected at 1.3 per cent - staying below the previous record of 1.4 per cent in 1966. The figures represent a success for Jean-Luc Dehaene, prime minister, who came to power in 1991 committed to leading Belgium into the single currency, despite years of double-digit budget deficits in the 1980s.

EUROPEAN COMMISSION PRESIDENCY

D'Alema backs Prodi bid

Massimo D'Alema, italy's prime minister, yesterday backed the candidacy of his predecessor, Romano Prodi, as the next president of the European Commission. I have no doubt that Prodi's candidacy would be both strong and convincing and could perfectly represent a solution towards which other [European Union] heads of govern-ment could converge but it has yet to be put forward," Mr D'Alema said on RAI state radio.

In an interview broadcast earlier this week, Mr Prodi acknowledged he would find the job of replacing Jacques Santer, Commission president, a challenge. Mr Santer is due to step down early next year.

"It's a dream for a strong supporter of Europe such as me. But there are 15 [EU] countries, many political parties, different interests. . ," he said, citing enlargement, instituional reform, a common foreign and security policy and proportional voting as the main goals of any successor. Reuters, Rome

EUROPEAN CENTRAL BANK

Publication of minutes mooted

Ernst Welteke, a senior member of the Bundesbank's central council, has said the European Central Bank could reconsider its decision not to publish minutes of its biweekly council meetings if there are too many leaks to the

Mr Welteke, tipped as a possible successor to Hans Tletmeyer as president of the Bundesbank, said he was personally sceptical about the publication of the minutes, but said a situation could arise in which publication would become inevitable.

In an article in Frankfurter Rundschau, to be published today Mr Welteke wrote: "I remember several occasions when I would have wished that the minutes of the central bank council meetings had been published because of misleading media accounts or simply because it would ave been good for the honour of the central bank council." Wolfgang Müncheu, Frankfurt

CYPRUS GOVERNMENT

New ministers appointed

Glafkos Clerides, president of Cyprus, yesterday appointed a supreme court judge as defence minister, indicating that military issues would in future be kept out of local politics

The new minister, Yannakis Chrysostomis, 62, takes over from Yannakis Omirou, a vice-president of the Socialist party, Edek. Edek voted to pull out of the government at the weekend in protest at Mr Clerides' decision to cancel deployment of S-300 anti-aircraft missiles that Cyprus had ordered from Russia.

Mr Clerides also appointed Ouranios loannides, 55, as the new education minister, to replace another Edek

appointee, Lycourgos Kappas, who also resigned.

Mr loannides is a vice-president of the ruling, rightwing Democratic Rally party founded by Mr Clerides 22 years ago. This indicates that Mr Clerides has given up, for the time being, his declared aim of forming a broadly based coalition or government of national unity. Andreas Hadjipapas, Nicosia

KOSOYO CONFLICT

Ethnic Albanians killed

Two ethnic Albanians were reported killed as international monitors headed to inspect an alleged mass grave in Kosovo. Meanwhile, rebels launched their own radio station and news agency.

The Kosovo Information Centre, which is close to the separatist Kosovo Albanian leadership, said two ethnic Albanians who worked at a petrol station in Vitina, some 40km south-east of Pristina, the provincial capital, were gunned down late on Monday.

The centre said the perpetrators and the motive of the killing were unknown. Bodies of more than a dozen ethnic Albanians and Serbs have recently been found in Kosovo in what appears to be a series of gangland-style killings.

The latest shootings came as a team from the Organisation for Security and Co-operation in Europe headed for Urosevac in southern Kosovo to inspect ethnic Albanian rebel claims that 11 women and children were burled in a mass grave there after Serb troops killed them during an Offensive against Kosovo separatists last year.

TURKISH POLITICS

ve backing

:-blower

Army urges unity

Turkey's army yesterday urged secularist politicians to put aside factional quarrels and unite against the twin threats

of Islamist and Kurdish activism. The secularist generals have increasingly intervened in politics since they spearheaded the downfall of an Islamist-led government in 1997. Civilian power has weakened further in the past month with the collapse of a secularist government, which squabbling party bosses have

falled to replace. "The country needs domestic stability more than ever," the Anatolian news agency quoted General Atilla Ates, land forces commander, as saying. "Everyone should put the country's interests first in such a critical period. No opinion or consideration should be more important than

e national interest." Yalim Erez, prime minister-designate, vowed not to Sbandon his faltering bid to form Turkey's sixth government since 1995. "I am not considering giving back the mandate," he said.

Mr Erez's search for partners in a proposed, broadbased coalition ran into trouble on Monday when Tansu Çiller, a conservative former prime minister, voiced support for an alternative bid to form a minority government under another leader. Retiters, Ankara

Greek distaste for investment bank advice delays sell-offs

Athens still hopes to complete fast-track privatisation programme and meet euro criteria by the end of the year, writes Kerin Hope

uneasily in his seat. Greece's fast-track privatisations gramme, launched in a drive a deal. to become the 12th member of the European single currency, is plagued by delay caused by the government's reluctance to seek invest-

ment bank advice. A dozen public sector panies, are due to be sold under a structural reform plan agreed with the Euro-

But the timetable has slipped following the collapse of tenders for majority stakes in Ionian Bank, a leading commercial bank, and Hellenic Duty-Free Stores, a profitable duty-free chain covering sales to banks to local competitors.

fast-track privatisation pro- have made it hard to pull off "If you want serious offers, amid strong union opposiyou have to use international advisers," said a western banker. "The disposal

enterprises, including banks, the sale of 51 per cent of utilities and transport com-Athens stock exchange fell through last summer, the government abruptly adviser. But the sale has been delayed by over six months.

process may take longer but

there's no alternative."

sale of Ionian, which has a of the ruling Socialists' comstores. The government's reform. Heavily overstaffed only success to date has and only marginally profit isn't encouraging. They been the sale of four small able, Ionian is typical of charge big fees and send us Analysts say the govern- union has managed to resist job."

ention investment ment's initial reluctance to bankers to a Greek hire international investment banks as advisers for ist party. wield influence in the Social-

Olympic Airways, the troubled state carrier that was restructured last April tion, is another high profile candidate for disposal. The government has called in Salomon Smith Barney to find a European airline will-When a tender process for ing to buy a 20 per cent strategic stake and take over management.

But preparations to sell a strategic stake in the Athens water company are being pean Commission, the Euro-reversed its policy and bandled by ETEVA, the pean Union's executive, last appointed J.P. Morgan as investment banking arm of the state-controlled National Bank of Greece, which has no previous experience of More than any other selling a utility. Advisers planned privatisation, the have not yet been appointed on the privatisation of market share of about 7 per Greece's two biggest ports in cent, is seen as a benchmark Piraeus and Thessaloniki. An economy ministry officruise ships and airport mitment to structural cial said: "Our experience with international advisers

The fast-track privatisa- too large." Privatisation exchange through the sale of tions are due to be completed by the end of 1999, the record Dr1,100bn (\$3.9bn). deadline set by the government for hitting all the con-

currently consisting of 11 due for sale in 1989. qualifiers, in January 2001. The government has lifted qualifiers, in January 2001. strides this year on reducing als of public sector compa-inflation and the budget defi-nies from 25 per cent to 49 cit and trimming the public debt. A strong fiscal performance has diverted attention from the slow pace of are planned for several comstructural reform.

vergence requirements for

the convergence targets isn't grammes. necessarily a catalyst for structural reform," said Ilaria Fornari, economist at J. P. Morgan in Milan.

mainly as a result of sales of equity in OTE, the public to market. telecoms company, and in membership of the single National Bank of Greece. currency, the euro. That The telecoms operator is 35 would open the way for per cent privatised and

Greece has made rapid the ceiling on equity disposnies from 25 per cent to 49 per cent, and is willing to sell controlling stakes in some companies. Flotations panies included in the fast-"The process of achieving track privatisation pro-

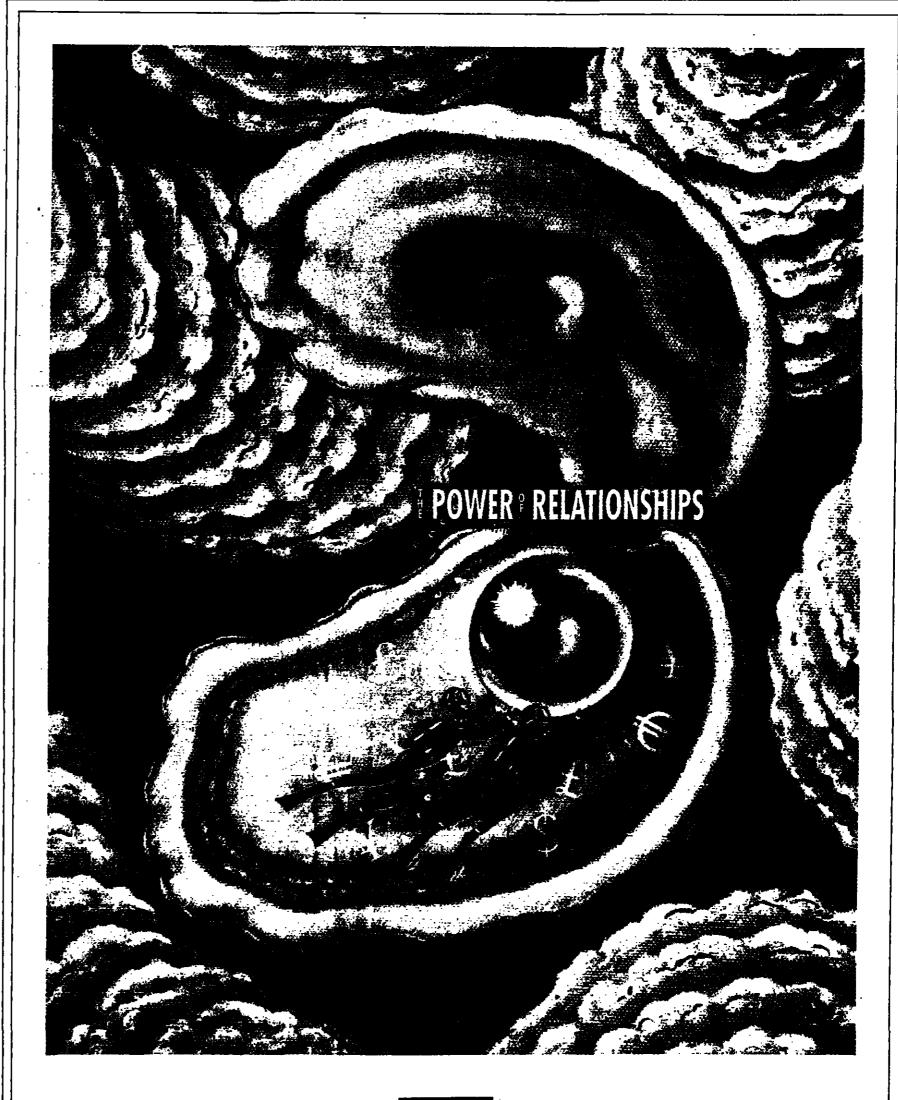
Greece to join the euro-zone, another equity tranche is

Hellenic Petroleum, the state oil refining group, this year became the fourth public sector enterprise to be to improving competitive-"Greece's state sector is still listed on the Athens stock ness."

income in 1998 reached a a 23 per cent equity stake. But DEH, the electricity utility, is not expected to come

> Because of pressure from labour unions, the Socialists have postponed the full privatisation of big state enterprises until after Greece has secured a place in the eurozone. The government will also continue to appoint chief executives at partially according to economy minis try officials.

"We're likely to join the single currency with about half the economy still in state hands," said Jason Stratos, head of the Greek Industrialists' Federation.



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As the US Congress formally reconvenes today its first and most important business will for once not be legislative but judicial: resolving achment saga that dominated political debate in

There is a full agenda of pending legislation that both parties still hope to push through, ranging from social security reform to increased defence spending. But both the White House and congressional leaders admit that until the trial is completed, there is little hope of getting either the Senate or the House of Representatives to focus on other issues.

no agreement over how

that might be achieved. course. Trent Lott, the Republican Tom I Senate majority leader, ocratic leader and a sup-announced yesterday that porter of Mr Lott's proposal, the impeachment trial proceedings would start tomor- ceeding was required for the row. He provided no other good of the country. "We details but has for some time believe the longer this drags been floating a plan that out, the more acrimonious.

by a vote.

With both sides in agreement that the Senate would also potentially damage not muster the two-thirds majority required to convict the Monica Lewinsky Mr Clinton, that would probably set the stage for an alternative resolution such as censure.

Although such a proposal has the support of most Democrats and some Republicans, it has been meeting presidential elections. strong resistance from a hard core of conservative Republicans who believe the Senate is constitutionally obliged to hold a full trial, with witnesses.

In addition, given Mr Clinton's resolute refusal to admit he lied under oath - a Although there is an central demand of Republiemerging bipartisan consen- cans - it remains unclear sus that the matter needs to what the wording of any cenbe resolved as quickly as sure resolution might be, possible, there is still providing further pressure for the trial to run its

Tom Daschle, Senate Deminsisted an "expedited" pro-

By Hark Suzman in Washington next Monday and lasting "We've got to take care of only a few days - followed the impeachment matter first.'

A drawn-out trial would prospects for pursuing other legislation. Because 1999 is a non-election year, it is regarded as the last opportunity for Congress to reach agreement with Mr Clinton on thorny policy issues before the political process gets bogged down in the 2000

the Republican leadership have indicated their top priority is reforming the social security pension system to ensure its future solvency next century. However there is no accord on what course to take and reform is a complex and controversial process opposed by powerful Democratic lobby groups such as labour unions.

There is also some prospect of pushing through laws that narrowly failed in the last Congress such as health care reforms.

But following Mr Chinton's weekend announcement that he plans a strong boost in defence spending - something long sought by Republicans – there will almost would allow for a very rapid the more political and the certainly be less money available for other potential

Both the White House and

to education spending. Further complicating matters are continued ideological divisions among Republi-

With only a tiny majority in the House and led by Dennis Hastert, the inexperithere is a strong chance the party will follow last year's pattern of opening a damaging internal debate over tax cuts that distracts it from other issues

Nevertheless, some analysts predict that the

programmes from child care impeachment trial could paradoxically make it more likely that the two parties will reach agreement on other issues.

Having weathered the par-

tisan storm over impeachment, the argument goes, both sides will be more willenced speaker-designate, ing to seek bipartisan compromises in other areas. And in spite of all the

pressures, many lawmakers remain confident that Congress will be able to handle both its judicial and legislative requirements success

"There is a lot of public pressure right now to conclude [the trial] in a big hurry," Arien Specier, 3 moderate Republican sena tor from Pennsylvania. acknowledged in a television interview yesterday.

"I think we can serve the national interest by getting it done within a relatively short period of time to get on with social security and health care and education, but still fulfil the constitutional requirement.

Editorial Comment, Page 13

Finances of Brazil's States some governors want a renegotiation of interest payments to the Federal Government

Halt called on debt repayments to Brasília

The Brazilian government could face a damaging politigovernors after Minas Gerais, one of the largest states, declared a moratorium on state's debt payments were debt repayments to Brasilia.

Itamar Franco, the former president who was sworn in eroment has insisted it will on Friday as governor of not reopen negotiations with Minas Gerais, said he would state governments over debt suspend interest payments to the federal government are anxious to avoid an open

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Anthony Gartoinho, the

new governor of Rio de Janeiro, the second most important state in economic terms, said he would also consider a moratorium if the not revised.

Although the federal govrepayments, some ministers

large states which could cre-fragility of their finances the approval of its R\$28bn (US\$23bn) fiscal austerity

"This dispute could potentially have serious repercussions in Congress for the government," said Walder de Goes, a political analyst in Brasilia.

In the last 18 months, 24 of the 27 states have signed refinancing accords with the government after the rapid until the terms of the debt fight with governors from fall in inflation exposed the civil order," he said.

ruptcy. Minas refinanced R\$18.5bn of debts in a deal approved by the state legislature and the federal sen-

However, Mr Franco said

his state's finances were in "chaos" and it could not self as leader of a centre-left meet the R\$80m monthly interest bill without stopping salary payments. "Without renegotiation, there will be a problem of

ate problems in Congress for and left many close to bank- member of a party in the government coalition, he has been a strong critic of its economic policy. Political analysts said Mr Franco, who perhaps has an eye on a 2002 presidential bid, could use the issue to launch him-

> opposition. Analysts said a conflict with governors, who can influence the congressional delegations from their states.

gency budget cuts. The government also needs co-operation from the governors to pass its longer-term fiscal measures, including a reform of the tax system.

The government has so far refused any concessions to Minas, for fear other states would demand the same treatment

"There is a contract and that contract must be honoured," said Pedro Malan.

NEWS DIGEST

RESIDENTIAL HOMES LEAD SECTOR

US construction spending rises for sixth month

Construction spending rose in November for the sixth consecutive month, led by gains in single-family home building and a jump in spending on public works projects. the Commerce Department said yesterday. November construction spending rose 0.9 per cent to a

seasonally adjusted annual rate of \$677.8bn after a gain of 0.3 per cent in October. The increase exceeded the 0.5 per cent rise expected by US economists surveyed by Reuters and marked the first time since the spring and summer of 1993 that construction spending rose six months in a row. The gain was led by the residential housing market, where spending on single-family homes rose 1.8 per cent.

Spending on most private non-residential construction projects, such as factories and hospitals, declined in November, but spending on offices rose 1.7 per cent to a \$41,5bn annual rate, the highest level since March 1989. Government spending on public works projects rose 2.1 per cent in November to a \$148.1bn annual rate after falling 2.7 per cent in October. Reuters, Washington

GRAMMY AWARDS

Top ten for former Fugees star

Lauryn Hill, who made her name as part of the Fugees hip-hop trio, collected 10 Grammy nominations yesterday for her solo debut album, The Miseducation of Lauryn Hill. Ms Hill, one of the hottest favourites to win several categories in this year's premier music awards, to be presented next month, will compete against Sheryl Crow. Shania Twain, Madonna and Garbage for the grand prize of album of the year. Female performers showed up strongly in all departments, with Andrea Bocelli, an opera singer, named for the best newcomer award alongside teen favourities The Backstreet Boys, Natalie Imbruglia and

Dixie Chicks, the country and western group. My Heart Will Go On, the hit song from the film Titanic, won single and song of the year nominations for Celine Dion and writers James Horner and Will Jennings. Ms Dion's album, Let's Talk about Love, was also nominated as pop album of the year, competing against Madonna's Ray of Light, Ms Imbruglia's Left of the Middle, with Eric Clapton and the Brian Setzer Orchestra also in contention. Christopher Parkes, Los Angeles

US PRESIDENCY

Ashcroft spurns race

Senator John Ashcroft, the Missouri Republican and a favourite of Christian conservatives who spent 1998 preparing a White House bid, said yesterday he would not run for the presidency in 2000 after all. In a speech in his home town of Springfield, Missouri, Mr Ashcroft said he would instead seek re-election to the Senate in 2000.

Mr Ashcroft was the third Republican to make his presidential intentions clear in the past week. Senator John McCain of Arizona and Senator Bob Smith of New Hampshire both established campaign committees while former cabinet secretary Elizabeth Dole left her post as head of the American Red Cross, clearing the way for a presidential run. Reuters, Washington

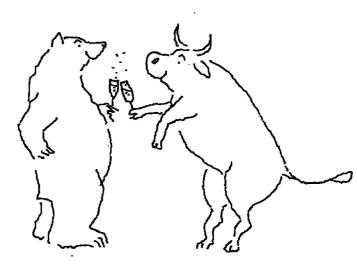
ERE IT IS - THE NEW NAME FOR TWO STRONG PARTNERS.

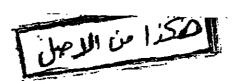
TOGETHER, WITH OUR COMMON STRENGTHS, WE'LL BE ABLE TO REACH

THE HIGHEST GOALS. WATCH OUT DAX, HERE COMES

Degussa-Huls

Specialty chemicals now have a new spelling: Degussa-Hüls AG. The company will have 46,000 employees and will start with sales of more than DM 20 billion. Degussa-Hüls ~ an attractive new international company with high growth potential based on the combined strengths of two established firms. Degussa-Hüls - the latest word for more expertise, more commitment, more innovation.





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RAMMY AWARDS

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INTERNATIONAL

US strikes S construction spend 'aimed at uprising in south Iraq'

Tariq Aziz, Iraq's deputy prime minister, said yesterday that last month's US and British air strikes had aimed to isolate the south of the country and use it as a base to topple the regime in Baghdad. But he insisted US designs had failed dismally.

"The US air strikes were indeed targeting the pillars of the Iraqi regime and focused in particular on op ten for former Fugeest institutions and bases with a link to national security (Republican guards, special guards, special security, intelligence and communications centres)," he wrote in Al-Jumhuriya, a government

newspaper.
"And from the first day, the aggressors bet on a strategy to isolate the south from the centre so it could be a stage for future events with Baghdad in the past designed to change the

regime in Baghdad."
Mr Aziz said leading Arab governments had acquiesced December because they believed the US was working and the Shias in the south to bring about a change in illegal. the regime. But Arab leaders were caught off guard by the failure of the US to destabilise the regime, he added, and were now scrambling to find a new strategy to deal with strategy might well include penetrating the area. support for another round of

US air strikes. that Iraq had been aware of would be an essential elethe US plans and had taken ment in any US strategy all the necessary precautions to ensure their failure. The away from Baghdad. Iraqi Iraqi leadership in the past concerns about such US two weeks has been evaluat- designs, however, only ing the damage of the air bolster Baghdad's resolve strikes. Iraqi President Sad- to defy the no-fly dam Hussein was briefed on zones.

Monday by top aides on the state of military readiness in the continuing showdown with the US.

The US claimed yesterday - based on Iraqi opposition sources - that Iraq had carried out hundreds of summary executions of dissidents in the south in the past six weeks.

James Rubin, state department spokesman, also said there were reports of mass arrests throughout the southern no-fly zone. An Iraqi government

spokesman said yesterday these claims were "silly and cheap lies that exist only in the imagination of James Rubin". The US statement appeared simed at explain-

ing continued need to patrol the no-fly zones, which have been the source of crisis week. Soon after the end of the US and British air strikes, Iraq said it considered the zones - set up after in the US aggression in the 1990-1991 Gulf war to protect the Kurds in the north

Iraqi air defences bave been firing at US and British warplanes patrolling the regions. Iraq and the US yesterday clashed again in the southern no-fly zone, after Baghdad. He predicted this Iraqi aircraft were detected

Being able to patrol the zones and keep Iraoi troops Mr Aziz, however, said and aircraft out of the south aimed at breaking the south

NEWS DIGEST

BLAIR VISIT TO SOUTH AFRICA

Moslems to protest over **British attack on Iraq**

Moslem activists in South Africa sald yesterday they would stage street protests against Tony Blair, the British prime minister who begins a four-day visit today, because of Britain's participation in the recent bombing of Iraq.

"Tony Blair's got direct blood on his hands - he and his government," said Moain Achmad of the Cape Townbased group, Moslems Against Global Oppression (Mago).

Mr Blair will meet South African leaders, including Thabo Mbeki, deputy president, to discuss trade, investment and International affairs. Essop Pahad, a senior adviser to Mr Mbeki, said yesterday that Mr Biair's security was being looked after and that protesters had a democratic right to demonstrate. Victor Mallet, Pretoria

ECYPT TERROR WARNING

Attack on Americans feared

Americans in Egypt were warned yesterday that militant groups may be planning attacks on them. The US embassy in Cairo said it had received "reliable information that extremist elements may be planning immiment unspecified attacks against US interests in Egypt."

Concern over the safety of US citizens in the Middle East has risen since US and UK air strikes against Iraq last month. Mark Huband, Cairo

NIGERIA POLÍTICS

Parties forge electoral pact

Two of the three Nigerian political parties that qualified to take part in this year's multi-party elections have signed an electoral pact and will present a common presidential candidate in February. The parties, the All People's party and the Alliance for Democracy, were distant runners-up in last month's local government elections, the first step in plans to restore civilian rule by May.

The Alliance advocates radical devolution and change, and draws its support from the Yoruba ethnic group in the restive south-west. The All People's party is a broad coalition. Its image has suffered from criticism of the prominent membership of politicians who backed attempts by Sani Abacha, the late military dictator, to remain in power.

The most successful party so far has been the People's Democratic party (PDP), another broad coalition which won control of about 60 per cent of local councils in elections last month. Its victory prompted speculation that subsequent elections would be a one horse race. Opponents claim the PDP is backed by powerful sections of the military and have accused it of buying up voters. William

ANGOLA PEACEKEEPERS

UN may pull out forces

Kofi Annan, the United Nations secretary-general, is expected to recommend an end to failed peacekeeping forts in Angola, where two of its aircraft have been shot fown by Unita rebels. The civil war has sharply escalated, ionas Savimbi, the Unita leader, has spurned UN appeals or access to both crash areas,

and the government now opposes UN peacskeeping. The question the secretary general would have to address in nis report next week to the Security Council was "whether here is any peace left to keep," his spokeman said. Michiei Littlejohns, New York

BUDGET IMPACT GOVERNMENT TO CUT FUNDING FOR JOINT VENTURES IN NO INCREASE IN PRODUCTION EXPECTED

Nigerian oil industry faces tough year

Oil company executives yesterday forecast "an extremely difficult year" for Nigeria's oil industry after the military government announced it could allocate only \$2bn toward jointventure projects. Ron Van den Berg, manag

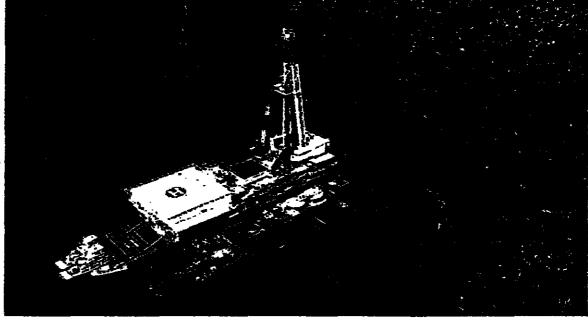
ng director of Shell's Nigeria operations, said: "I was certainly hoping for \$2.8bn. With that we could have scraped by: But if the government has to budget on the basis of \$9 a barrel, it obviously severely limits its ability to stand by its cash

While there would be no short-term impact on Nigeria's ability to defend its Opec quota of just under 2m barrels per day, the shortfall did not leave room for growth in production, he

bridget, Ismaila Usman, the finance minister, offered tax credits and investment ncentives specific to the oil analysts said. and gas sectors and promised to diversify the industry's source of funding. Alternative funding

In a breakdown of the 1999

arrangements for some projects whereby capital and operating costs paid by the ners. Its ability to fund its



through production, would not, however, bridge the gap,

Under existing jointventure projects, the state-owned Nigerian National Petroleum Corporation costs with its foreign part-

share, however, has long cific mention of privatising been tested. The build-up of its share of projects, a meaarrears over the years has sure considered by most oil limited exploration, mainted companies as the only long-term solution to fundnance of infrastructure and Nigeria's ability to meet ing problems.

A blueprint for the ecogrowth targets, While the government has nomic recovery of Africa's promised a review of jointplans to bring production up venture arrangements in

cash flow crisis, this target is being hampered by grow-ing social tensions in the oil producing south. Militant local people have taken over rigs and sabotaged installations in a campaign for a

fairer share of revenues for oil-producing areas. At the height of the unrest last year only \$1.5bn.

about a third of production

was closed. Abdulsalami Abubakar, Nigeria's new military ruler, won support from the oil companies when he paid off 1998 joint-venture arrears shortly after assuming office last June following the unexpected death of his predecessor, General Sani

But even last year, the NNPC's budgeted \$2.8bn

share was cut back. The collapse in the world price of oil. Nigeria's principal source of foreign exchange earnings, led Gen Abubakar to forecast a 54 per cent drop in revenues in his 1999 budget address. The austerity measures he announced leave little room for manoeuvre in a crucial year for the country's political future, with multiparty elections due to bring in the first civilian government in lō years.

The budget has a built-in plea for support from international financing institutions in rescheduling Nigeria's \$34bn external debt on bridging a forecast current account deficit. Mr Usman said 1999 debt servicing requirements would be \$3.6bn. The budget allows for



Realistic Indonesian budget welcomed by markets

By Greg Earl in Jakarta

Indonesia yesterday made a positive start to recovering announcing a budget that has been welcomed in the financial markets.

The government forecasts zero growth in the year

finished, inflation at 17 per cent compared with 77 per cent and an average level for the rupiah of 7,500 to the US dollar compared with a low of about 17,000 last year. But the budget outlook

by issuing government Financial analysts have

welcomed the assumptions in the document, in contrast alistic budget triggered the has been severely burdened country's economic collapse by the plunging oil price and

closed up 3.7 per cent and the rupiah was at 7,850 to the US dollar compared with 7.950 on Monday,

exercise. You can take this a plug the difference between whole lot more seriously

with a 14 per cent contract the emerging costs to the and the resignation of President Securities regional econototal of \$11.2bm in official of GDP although the total ger than expected rupian dent Subarto. The Jakarta mist, Mr Neil Saker. capital flow into the balance flow of expected foreign recovery late last year. But Indonesia's continued of payments. The budget year is The budget year is The budget year is the country's proposed and the resignation of President Subarto. The Jakarta mist, Mr Neil Saker. But Indonesia's continued of payments.

heavy dependence en foreign official aid flows is high lighted by the projection that it will receive \$10.3bm "It's a pretty believable from unspecified sources to domestic revenue and total:

Those figures compare with about \$5bn in mostly foreign loans to the budget before the crisis and a total of \$18.8bm in official capital flow in this financial year. The government says the than last year," said SG spending. It is counting onea, budget deficit is 4.7 per cent

equivalent to about 9 per orities have been burdened

cent of GDP. The total size of the bodget has falled 17 per cent in fauking system with plans ruptah terms but remains to spend Rp18,000bn (\$2.3bn) similar to last year in US paying interest on special dollar terms at about \$29bn, after accounting for a stron-spending-

GOVERNMENT ADMISSION

Anwar a beating

NEWS DIGEST

Malaysian police did give

The Malaysian government yesterday admitted that police had beaten Anwar Ibrahim, the sacked former deputy

prime minister, while he was in custody. However, Mohtar

Abdullah, the attorney general, said that not all the injuries found on Mr Anwar were caused by the police. "Several injuries alleged by [Mr Anwar] are not true [but]

by police officers," he said in a statement. Mr Anwar, fac-

ing charges of sodomy and corruption, which he denies, was arrested by police in September. He appeared in

court on September 29 with a black eye and alleged that

he had been beaten unconscious by the police, provoking

Prosecutors yesterday closed their case in the first stage of the trial, after 40 days of testimony and 23 witnesses.

The court is initially considering four corruption charges,

with another six charges still to be heard in a trial that

there-are injuries which are proved to have been caused

by financing the recapitalisation of indonesta's insolvent traiking system with plans bonds - 8 per cent of total

Disillusioned Hong Kong starts to ask for more government

Louise Lucas finds new hardships are diminishing faith in the traditional

laissez-faire policies ong Kong is starting a winter of discontent: recession, made inglorious by what some see as a crippled policy-making

machinery. Economic pain, well documented statistically, is starting to affect households. The economy shrank a record 7 per cent year-onyear in the third quarter of 1998 and a round of pay freezes is marking the New Year at some of the territory's biggest employers, including Hongkong and

Shanghai Bank. Worse news is expected in February, when the traditional lunar new year bonuses are distributed - or have been, as a matter of course, until now.

Some employers have sought to pre-empt the shock by linking bonuses to performance, but it is a notion that goes against the grain of Hong Kong style capitalism. When Hongkong Telecom which already failed to impose a 10 per cent pay cut on its 13,200 workforce tried to link its 13th mouth bonus to performance, employees and unions

squealed Corporate Hong Kong, fighting its own battles in an environment of high overneads and slack demand, is also looking for government

Ministerial system finds favour

Momentum is gathering for Hong Kong to adopt a ministerial-style system rather than continuing to rely on non-political civil serva as policy makers. Henry Tang, a member of the Executive Council, a private advisory body to Tung Chee-hwa, Hong Kong's

mean he was not selected to run for a second term. trade are all shrinking, but only property has been given a significant lift, with a ninemonth freeze on government

The government won scant gratitude for this gesture. Li Ka-shing, one of the biggest property barons, last month delivered a massive no-confidence signal by forgoing a HK\$10bn (US\$1.3bn) project in the territory, complaining that the political environment was not conducive to investment.

Non-property businesses, meanwhile, are fretting about eroded competitiveness, and casting an envious eye towards Singapore where the government has taken charge of engineering a turn-around by implementing wage cuts and some tax "Singapore's actions make

the Hong Kong government look flat-footed," says Bob Broadfoot, managing director of Political and Reonomic Risk Consultancy. "And this is bothering people." As a neighbour and con-

stant rival, Singapore's actions are closely followed ism. financial services and in the territory. While Singa-

www.ibm.com/euro/and_dual_pricing

www.ibm.com/euro/and_e-business

chief executive, said such a system would increa accountability. Allen Lee, an politician and former head of the pro-business Liberal party, warned that Mr Tung's failure to adopt a ministerial system might

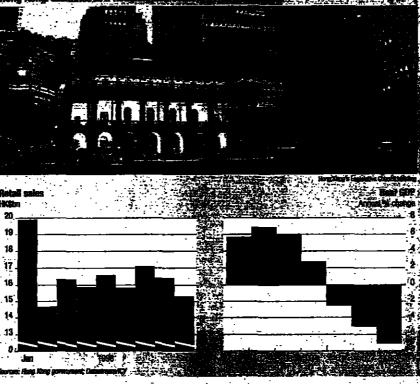
vision for the future, and facilitated the way there, Hong Kong is seen to be

The administration recognises the severity of the problems, but is caught in traps of its own. The unique nature of Hong Kong's postcolonial system means that the policy makers and policy enforcers are mostly one and the same; the result, too often, is policy paralysis or policies that benefit only a

he system worked in the

past, says Michael DeGolver, who oversees the Hong Kong Transition Survey on behalf of Baptist University, because of a de facto separation which saw the British colonialists making policy and the rank-and-file civil service implementing it. But the return of Hone Kong in 1997 to Chinese sovereignty ended that separation; unlike other former colonies which achieved independence (such as India), the policy making role could not devolve to a political arm

while keeping the civil ser-



Instead, says Mr DeGolyer, Hong Kong has moved in the opposite direction, stifling the legislature's ability to introduce bills and giving the civil service an almost exclusive right to both make

and enforce policy. That of necessity politicises the civil service and creates factions within it. and that destroys and complicates its professional ability," he says. It is also all the more galling in a government unimpeded by big issues such as defence and seeking to win votes.

At the same time, other faultlines are emerging in Hong Kong's fledgling democracy: executive versus legislature; old-style busiintent on accountability and

livelihood issues. An evolving political system makes divisions inevitable; for Hong Kong, the crux is that solits are occurring at a time when the desire for greater government intervention - in contrast to the rule of "benign neglect" pioneered by the colonial

administration - is growing. A survey by the Baptist University found that the rating of Donald Tsang. financial secretary, rose after his HK\$118.1bn share buying binge in August the biggest instance of government going against the laissez-faire grain. "He got out there and he fought, and Hong Kong people respect

that," says Mr DeGolyer. But Hong Kong would like to see action in other areas too. Education, now under a sweeping review, has failed to keep pace with Hong

Kong's evolution from man ufacturing site to service centre. Healthcare, facing budget cuts, has been river with blunders. Another issue is the sorry state of public housing, home to around

half the population.
"I think the time is right" for more government intervention, says Tsang Yoksing, head of the pro-Beijing Democratic Alliance for the Betterment of Hong Kong. "Although we should always be careful that the pendulum does not swing too far to the

vices showed a deficit of

A\$980m (US\$600m), an

improvement on October's deficit of A\$1.13bn, but

larger than earlier forecast of a A\$900m shortfall

Exports fell nearly 4 per cent

while imports fell nearly 5

per cent, according to the government's bureau of sta-

months. Overall exports to

Asia were down 7 per cent in

the first 11 months of 1998,

although they stayed flat in

The government will later this month launch a new

TAIWANESE SHARES FALL

could last until June. T.J. Tan, Kuala Lumpur

a storm of protests from world leaders.

Market ignores reassurances Taiwan government attempts to reassure investors were upset yesterday when stocks plunged to a 29-month low. The 4 per cent fall, on the island's first trading day of the new year, came in spite of intervention by the state's T\$283bn (US\$8.8bn) stabilisation fund and the recent announcement of fresh measures to shield the economy

from Asia's economic storm: Even construction shares fell, in spite of the announcement last week of a T\$150bn housing loan plan aimed at boosting the troubled property market.

Taipel has recently also pushed forward infrastructure spending, cut interest rates and ordered extra lending for ailing companies to try to ensure annual economic growth does not fall below 5 per cent. However, the stimulus measures have failed to reassure a stock market that fell 21.6 per cent in 1998. Mure Dickie, Taipei World stock markets, Page 34

HONG KONG REAL ESTATE

Property deals decline

The number and value of property deals in Hong Kong fell sharply last year, underlining the toll taken by the sector as the tenttory veered into recession. Hong Kong real estate, among the highest priced in the world, has seen its

value halved since the peak in summer 1997. The value of property deals last year fell to HK\$340.91bn (US\$44bn), down 60.7 per cent on 1997 and 28.2 per cent

However, the December figures showed a sharp rise, effecting in part the lower base by December 1997. The Land Registry said it had received double the number of sale and purchase agreements last month compared with a year ago, although the number was marginally lower than in November.

While property developers continue to sound optimistic. analysts reckon property prices could fall further. This is partly because rising unemployment and a tendency to cut or freeze pay does not encourage first-time buyers to take on mortgage commitments. Louise Lucas, Hong Kong

MALAYSIAN TRADE

Weak imports boost surplus

Malaysia yesterday announced another large trade surplus for November, but analysts said it was not surprising as imports remained weak. The trade surplus was M\$6.5bn (US\$1.7bn) in November against a M\$6.6bn surplus in October, the Statistics Department said.

"The trand was not surprising as the surplus was due

largely to a contraction in imports," said Bhanu Baweja, regional economist at research firm IDEA. "If you look at the imports numbers, they're not very good news at all. But the trade surplus itself is positive for Malaysia." Imports in November declined by 3.6 per cent from October and 13 per cent from November 1997. The imports slowdown has helped drive a recovery in Malay-sia's trade balance since November 1997. Mr Baweja said he did not expect imports to pick up in the next few

For the January-November period, Malaysia posted a trade surplus of M\$51.5bn against a deficit of M\$1bn in same 11-month period in 1997. The government is expecting a trade surplus of at least M\$55bn for the whole of 1998. Reuters, Kuala Lumpur

VEHICLE SALES SECTOR TUMBLES 15.2% FOR BIGGEST FALL IN OVER TWO DECADES

campaign to help exporters account deficit to about 6 per step up their trade diversificent of gross domestic prodcation efforts. Measures will www.ibrn.com/euro/i_need_more_resources uct in the year to June. They also fuelled speculainclude the opening of trade offices in Latin America and tion of a further interest rate cut by the Reserve Bank of www.ibm.com/euro/my_customers_want_euro_invoices Australia, the central bank which last month cut official cash rates by a quarter of a point to 4.75 per cent.

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growth, which reached 5 per tistics. More significantly, exports cent in the year to Septem ber. The government has to Japan - Australia's largest market, representing nearly one-third of exports plunged 13 per cent to their

Asian downturn

forecast slower economic growth of about 2.75 per cent. for the financial year to surprised by the extent of November's fall in exports. The latest trade figures, reinforced by a weaker business outlook for March-quarter earnings, supported the government's predictions of an increase in the current

Australia yesterday recorded

its third consecutive monthly trade deficit and a

fall in business expectations

The data indicated that

Asia's economic downturn

was beginning to weigh on

Australia's robust economic

for the March quarter.

Eastern Europe. Analysts said the fall in gold trade explained some of the exports decline in November. Cereal grain exports fell an annual 20 per

In November, Australia's

Japan's car industry executives rang in the New Year with an extravagant reception at a Tokyo hotel yesterday. But even as industry leaders and the transport minister expressed optimism over the year deepening malaise about the industry's future.

Figures released yesterday showed that car and truck sales last year suffered their higgest fall in more than two decades, tumbling 15.2 per cent compared with the year before to 4.34m vehicles. In December alone, sales plunged 23.5 per cent yearon-year, the Japan Automobile Dealers' Association

The news came as comments at the Detroit carshow re-ignited speculation about possible alliances

between Japanese and US makers in south-east Asia as Nissan Motors, the troubled number-two car and truck industry leader, has seen a mobile Manufacturers' Assogroup, denied it was discussing an equity deal with DaimlerChrysler. Nissan Diesel; its truck

and engine affiliate, declined to comment on its talks with the German-US giant. Mitsubishi Motors, another "big five" manufacturer, stayed tight-lipped about foreign merger talks.

Japan's carmakers, for decades counted among the country's best blue chip companies were struck by the full force of recession and the south-east Asia crisis last year. Car sales have fallen for

the past 21 months running. as consumers, facing salary cuts and unemployment, spend less. At the same time, sales collapsed for most car-

and European carmakers. a result of the economic slowdown Even Toyota, the significant contraction in turnover in Japan, with sales shrinking 14.6 per cent to 1.7m units last year. Nissan suffered a 12.8 per cent

> Mitsubishi and Honda saw similar declines. Mazda Motor, 33.3 per cent owned by Ford Motor, reported a 4.6 per cent slide in sales, following a steady climb over the past few years. Truck makers, which rely

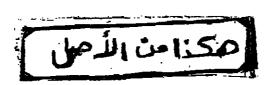
> heavily on demand from Japanese companies and countries in south-east Asia, suffered the heaviest falls. Truck sales fell 37.8 per cent. units. Analysts point out that the fall in the region's truck market will weigh on the industry's earnings this

Most analysts are pessi-

mistic about prospects. While Yoshifumi Tsuji, ciation, expected a modest recovery in demand this year, few signs support this. Consumer sentiment continues to weaken and unemployment hit a record 4.4 per cent last month.

Many industry observers argue that the US will be the most critical market for Japanese carmakers this year, but Katsuhiko Kawasoe, Mitsubishi Motors president, insisted the industry must address its domestic prob-

The first step should be to eliminate the job-for-life system, which emphasises corporate loyalty over achieveemployment system from now on will be very different



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China eases access to foreign trade

China announced yesterday that it had allowed a first batch of 20 private companies to engage directly in foreign trade, in an effort to boost the country's flagging export performance.

The unprecedented permission to the private companies is a sign of growing official support for private anterprise in China, and a signal that competition between state-approved trading houses is set to intensity.

Private companies have previously been allowed to import and export only through state-run trading houses, which charge a significant commission often for doing little more than stamping an official seal of approval on cargo consign-

"From now on we will be able to trade directly ourselves. This means we won't have to pay the trading company 0.5 per cent of the cargo's value and we won't suffer from bureaucracy," said Liu Yonghao, chairman of the New Hope Group, China's biggest animal feed pro-

Motivation for the change comes from an official exhortation late last year for China's foreign trade authorities to try in a "thousand and one ways" to boost exports. Exports in 1998 fell slightly against 1997, failing to meet a trade ministry target of 10 companies increasingly per cent growth, and falling far short of 1997's 20.9 per eign trade directly.

cent year-on-year increase, Tolerance towards private companies has grown progressively in Communist China over the past two

decades of economic reform, but official policy continues to be weighed in favour of state-owned, or collectively owned companies which still control the lion's share of corporate assets.

The state and collective sectors, for example, still enjoy easier access to bank borrowing than their whollyprivate counterparts.

Although yesterday's announcement was good news for the New Hope group and private companies engaged in textiles, building materials, light industry. computer software and other businesses, it threatened to amplify the problems of thousands of the country's trading companies.

Trade officials said there were about 7,000 statelicensed trading houses throughout China. Many of them were experiencing severe difficulties, while a few in remote parts, such as in the south-western province of Yunnan, had been forced to close down.

Increased pressure from exporters forced to cut prices to compete with south-east Asian or South Korean rivals has meant many trading houses have had to cut their commissions. They have also been hit by state being allowed to conduct for

Glaxo Wellcome chief wants India patent law reform

International pharma- ing pharmaceutical compaup investment in India if the country brings in modern patent laws, Sir Richard full product patents. Sykes, chairman of Glaxo Wellcome, said yesterday.

India could become an important centre for research and for manufac-India is already the coun- has now ended. Senier mintry's biggest pharmaceutical

Sir Richards comments, in parliament. an interview with the FT, followed an address to the Bombay Chamber of Commerce, in which he urged India to push ahead with patent reform - a deeply controversial issue in India. "India holds great poten-

tial for the pharmaceutical industry," he said. "But for that potential to be realised...is dependent upon the introduction of world class intellectual property

At present India only its resources." recognises process patents. and not product patents. This enables local producers to replicate patented drugs and everything we made with minor variations in the could be copied by a fellow manufacturing process.

us," said Sir Richard. "It is a very, very difficult market for any research-based international pharmaceutical company to operate in."

ment introduced a bill offerceutical companies will step nies exclusive marketing rights for new products seen as a stepping stone to

However, the bill met furious opposition from within the roling Bharatiya Janata

The government failed to export, he added. Glaxo in the winter session, which isters promise to reintroduce | nal timetable, the bill in the next session of

Sir Richard said patent reform would bring renewed global interest in India. He said international pharmaceutical companies could develop research facilities which take advantage of India's low-cost pool of professional workers.

"There is good science going on here, good mathematics. You have educated people, skilled people." he said. "There is great potential for this country to utilise

However, he added: "At the moment we could put a lot of money into research anufacturing process. down the road." Sir Richard said Glaxo Wellcome already used India as a manufacturing source for a limited number of off-patent drugs for export, and would expand

SAS may file **Boeing** claim

Michael Skapinker in London

Scandinavian Airlines System, the three-nation Nordic carrier, is planning to seek a multi-million dollar compensation package from Boeing following late aircraft deliveries by the US aircraft manufacturer. SAS - a launch customer

for the latest version of Boeing's 737 short-haul jet – is likely to file a compensation claim this spring after delays of up to 10 weeks on its new fleet of 737-600 aircraft, first ordered in early 1995.

The carrier, 50 per cent owned by the governments of Sweden, Norway and Den-mark, has placed a firm order for 55 of Boeing's 737-600 aircraft in a deal worth \$1.5bn. Senior officials said delays

in introducing the new aircraft had forced it to postpone the disposal of ageing Fokker turboprops and McDonnell Douglas jets, some of them more than 20 vears old.

"It is a big problem for any airline to suffer late delivexecutive. "We will present Boeing with a compensation package, but the exact claim will not be decided until Boeing proves it can return to the original delivery sched-

Boeing refused to comment on the SAS compensamanufacturer has been plagued by production difficulties since 1997, when it was forced to suspend some of its production lines for a

The group, the world's biggest aircraft maker, announced last month that its profits in 1999/2000 would be 25 per cent lower than expected because of the Asian financial crisis. About 50,000 employees - 20 per cent of the workforce - are to lose their jobs.

Boeing indicated this week, however, that it had been able to make up some of its production delays. The company said it had delivered 191 aircraft in the fourth quarter of 1998, bringing total deliveries for the year to 559, Boeing had set itself a target of 550 deliveries for the year.

Of the 55 jets ordered by SAS, eight have been delivpush it through parliament | ered so far and just four have entered service - some 30 per cent behind the origi

In all, SAS said it had lost almost one and a half "aircraft years" - or service life from the 737 fleet - because of the delays.

Boeing has pledged to cut the delivery delays from 10 to six weeks, returning to the scheduled timetable by

April. SAS executives indicated the compensation claim would reflect cancellations and disruptions caused by late deliveries, as well as the carrying cost of old aircraft earmarked for disposal.

The carrier, which has options on another 41 Boeing 737s, declined to estimate the costs involved.

Executives also disclosed that the carrier had not yet finalised a decision on new long-haul aircraft to replace its fleet of Boeing 767s. It is believed to be considering proposals both from Boeing and Airbus, the European aircraft consortium.

US tries to close last Asian refuge of CD pirates

Jonathan Birchall on the start of Vietnam's copyright

deal with the US

The WOW compact disc shop on Hanoi's Hang Trong street opened just two months ago under the slogan "We offer whatever you want". For young Vietnamese consumers, that can mean copies of music CDs by everyone from Depeche Mode to the Three Tenors,

on sale for less than \$2 a

Disgruntled regional recording industry executives are hoping that a much delayed copyright agreement between the US and Vietnam will give them a little of what they want too – by cutting back on increasingly flagrant copyright abuse in Hanol and Ho Chi Minh City.

The US-Vietnam copyright agreement-the first of its kind between Hanoi and a foreign country, came into force on December 24, some 18 months after it was signed by Madeleine Albright, US secretary of state, and Nguyen Manh Cam, Vietnam's foreign min-

The long delay reflected protracted wrangling over Washington's insistence that Hanoi first produce the regulations required to give the agreement legal force. Further likely problems with enforcement now lie ahead. At stake is a small but rap-

idly growing market, in a and continuing doubts over Under the terms of the copyright agreement. American companies and individuals can now in theory take

courts against copyright abuse; they are also entitled to seek enforcement of their rights by Vietnam's ministry of culture and information. Given the complexities of

CDs on sale in Henot: laws are now in place to allow action to be taken

under 25 years of age.

action in the Vietnamese

the Vietnamese legal system.

expected to fall chiefly on copyright department. Officials there say steps are being worked out to ensure full enforcement of copyright protection, but decline

The ministry of culture may also find itself under further pressure to end its of American povels and text own involvement in copy-

of unauthorised translations

country with 79m people, its impartiality in supporting not until last year that one more than half of whom are claims by foreigners, the of its subsidiary companies, Fafim, stopped producing and marketing pirated video the ministry of culture's tapes of American films. Pirated videos of current releases subsequently virtually disappeared from shops in Hanoi. But publishing houses controlled by the ministry of culture remain responsible for the printing

CDs and software are being smuggled into Vietnam. mostly from China and Hong Kong. Vietnam itself has only one CD manufacturing plant, operated in Ho Chi Minh City by state-owned Saigon Audio, which has a limited production and distribution agreement with

PolyGram in Hong Kong. Earlier this year, the Business Software Alliance. which campaigns against piracy, estimated that 98 per cent of all business software installed in Vietnam was unauthorised – although, with less than half a million computers in the country. the overall market still remains tiny.

In Washington, Charlene Barshefsky, the US trade representative, welcomed the start of the copyright deal, saying it filled "the largest remaining gap in copyright protection of US works in East Asia".

expended in at last enacting the 11 articles of the agree ment does not bode well for more complex trade agreement between Hanoi and Washington.

Negotiations on a pro posed trade agreement have been under way since 1996; a further round of talks will be held in Hanoi in March two sides remain far apart on a broad range of substan-

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PUBLIC NOTICE

Office of the Director of **Telecommunications** Regulation

TELEVISION TRANSMISSION LICENSING FOR CABLE AND MMDS -REPORT ON THE CONSULTATION

The Director of Telecommunications Regulation wishes to announce the issue of Television Transmission Licensing for Cable and MMDS - Report on the Consultation, document ODTR 98/63. The document outlines the process that has occurred to date regarding the granting of new cable/MMDS licences, the provisions for draft regulations and licences proposed by the Director in respect of cable and MMDS services, and the next stages of the process to be followed by

Full details are given in the document, which is available from Ms Mary O'Donnell, Office of the Director of Telecommunications Regulation,

Abbey Court, Lower Abbey Screet, Dublin 1, Ireland. Phone (01) 8049600; Fax (01) 8049680. Document 98/63 is also available on the ODTR Website at:

Etain Doyle, Director

Financial Times Surveys

World Steel

Thursday February 25

For further information

Tel: +44 131 220 1199 Fax: +44 131 220 1578 ail: catherine.markey@FT.cor

Tel: +44 171 873 4281 Fax: +44 171 873 4862 email: haj.haffejee@FT.com

FINANCIAL TIMES

Central bank set to issue debt in euros

Capital Markets Editor

The Bank of England, the UK central bank, is to issue debt in its own right for the first time since 1716 as part Bank to fulfil its obligations of its commitment to the as a member of Target, a ation of the Bank in 1946 it British entry into the single euro-zone's inter-bank pay- high-value payment system ment system for the single set up by the European Cen-

would issue up to €3,5bn tions in the single currency. the next few years in to deposit between €2.7bn short-term Treasury bills and €3.3bn with Target on with maturities of less than an intra-day basis to ensure ment by up to £2.5bn to body of Labour MPs who currently includes around a year. The UK Treasury the system remains liquid. It replace the euro-denominated to increase pressure 100 MPs, is hoping to

currently issues euro-denominated by will issue its first euro-nated T-bills that have been on the government to argue increase its membership to strongly in favour of UK 150. transferred to the Bank of gramme.

The move will enable the tral Bank to make possible The Bank yesterday said it smooth financial transac-The Bank will be required

debt and equity. office, which issues debt on behalf of the Treasury, will ish companies are suffering increase the gilt (govern- as Mr Blair hesitates. ment bond) funding require-

capacity in 1716, when it was pressure from more than 100 handed over to the Exche- pro-European Labour MPs to quer. Prior to the nationalis- set a target date for early issued stock - a hybrid of currency, George Parker debt and equity. Gles Radice, a senior Yesterday's move means MP and chairman of the that the debt management cross-party European Movement, warns today that Brit-

He speaks for a growing

The Bank was deprived of • Tony Blair, the prime entry. In a letter to the England's funding pro- its government debt-raising minister, faces mounting Financial Times, he says: "It is time for the government to come out publicly in

> Mr Radice, also chairman of the influential House of Commons Treasury committee, believes the smooth launch of the euro has strengthened the hand of the pro-Europeans. The Labour Movement for Europe, which 100 MPs, is hoping to Letters, Page 12

set a target date for entry."

An early test of the mood of the House of Commons will come next week when the pro-European Liberal Democrat party is expected favour of membership and to to announce a debate on the new currency.

The Conservatives, the biggest opposition party, yesterday claimed the government was having the "worst of all worlds" by standing nervously on the brink of

Scotland prepares for return of government

This year Queen Elizabeth will open the country's assembly, its first parliament for

will give Scotland its first sit during normal office parliament for nearly 300

By the time Queen Elizabeth opens the assembly on July 1 the region will have its own government - the Scottish executive - and the UK parliament at Westminster will have handed to Edinburgh most of its legis-

lative power for Scotland. Lobbying companies are moving into Edinburgh from London and staffing up to target the new members of the Scottish parliament (MSPs). The city's corps of consuls are discovering that Scotland is no longer a backwater. But it is clear that the Scottish legislature will be very different from Westmin-

The 129 MSPs will sit in a By Andrew Parker, semi-circular chamber Political Correspondent rather than on opposing ranks of benches when the the Scottish National party the access for Scottish parnew building - designed by are to be allowed to hold a Spanish architect - opens

late in 2001. Women will make up a government officials before party had access to officials higher proportion of the the first elections to the members than they do at Westminster. Labour, the held in May. The SNP wants pro-independence Scottish an independent Scotland in net secretary, said in a letter National party and the pro- the European Union. net secretary, said in a letter to the SNP: "The difference Scotland, Wales and North-National party and the pro-European Liberal Democrats

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hours rather than late into the night and members will vote electronically instead of

The constitutional steering away from the confronta-House of Commons. But the structured, or how many ministers there will be. The Scottish Office, the UK government's ministry for the

the Scottish Council Founda-14 and 21. All the posts were needed to reward supporters and permit the formation of

mented by the assembly.

region, currently has six. the May elections. The gov-But last year a paper from erning Labour party was close to despair last summer as the SNP surged ahead in recovered and the parties are roughly neck and neck

> well under "first-past-thepost" in the constituency section. First-past-the-post means that the candidate with the biggest number of votes wins - even if he or she receives a minority of fare better in the party sec-



resentation because its vote is spread more evenly across

the country. There are more seats in

the first section than the second so Labour would gain the biggest number of seats

If it wins a majority and forms the Scottish executive the SNP promises to hold a referendum on independence in its first term of office.

needed."

Alex Salmond, SNP leader,

make our new parliament

work and make it work

well". But he adds: "We shall

endeavour to make it work

even better by persuading

the people of Scotland that

independence and the full

powers of an independent

Scotland continue to be

Donald Dewar, chief minis ter for Scotland in the Labour government, believes more people will trust Labour rather than the SNP to run the Scottish parliament. "Do they want to put into the Scottish administration a party which is promisconstitutional

This article is the second in

four-seat majority within the

unionist block in favour of

the peace accord. But it rep-

The four dissident mem-

without the IRA being

required first to give up its

The four men said their

impossible if they had

blindly acquiesced in his

The implosion of the UK

that the Democratic Union-

exit strategy from the assem-

NEWS DIGEST

MANAGEMENT

Women adopt male traits to succeed, says psychologist

Women can succeed in management only by adopting male traits of ruthlessness and tough-minded aggress ness, a psychologist said yesterday. Tuvia Melamed, an occupational psychologist at Capita RAS, the recruitment consultants, published research at the British Psychological Society's annual occupational psychology conference yesterday that challenges modern management ideas. The new teaching in business schools which stresses a caring and sharing approach by managers, highlighting fernale characteristics, just doesn't work according to my findings," said Mr Melamed. His four-year study covered 1,200 senior managers and executives, of whom about a quarter were women.

"While you expect to find very clear differences in personality traits among men and women in the general population, I found very few differences in the sample of managers," he said, Traits such as dominance, the need to agers, ne said. Traile such as dominated, the heat to achieve and tough-mindedness tended to surface throughout the whole sample. "This means that women were denying their femininity and adopting more masculine." behaviour to get ahead in their careers," said Mr Melamed. Richard Donkin, London

MGAM CHIEF EXECUTIVE

Settlement expected today

lmro, the fund management watchdog, is today expected to announce that it has settled its case against the former chief executive of Morgan Grenfell Asset Management in a move that avoids a long tribunal. The settlement of the case against Keith Percy is expected to mark the end of Imro's disciplinary involvement in the unit trust scandal involving Peter Young. Mr Young, the former star fund manager at the centre of the scandal, has been charged with three others with conspiracy to defraud. Mr Percy, who was unavailable for comment last night, was sacked with four other Morgan Grenfell directors in 1996. Imro last night declined to comment. Jane Martinson, London

TRANSPORT

'Cars-on-trains' plan revived

Plans to revive the cars-on-trains Motorail service between London and Scotland, closed by the state-owned British Rail in 1995, have been put forward by a business executive. Graham Steele hopes by 2001 to transport 20,000 vehicles a year in Britain and between the UK and continental Europe. BR closed its Motorail service after 40 years because it could not make money. It carried up to 100,000 passengers a year at its peak but motorways reduced its appeal and it was making an annual loss of £4m when it was closed. Charles Batchelor, London

PENSIONS SCANDAL

Regulator in publicity drive

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ulator, yesterday launched a £10m (\$16.8m, €7.1m) publicity campaign to make consumers aware of the second phase of the review of the pensions mis-selling scandal, in which thousands of people were given faulty advice. The advertisements will coincide with mailings to more than 2m younger pension holders, inviting them The deadline for the completion of phase one, which targeted consumers over 35 passed last week. Most of believed to have complied

The Financial Services

Authority, the main City reg-

with it. Philip Hobinson, FSA director of communications, said this was the first time such a publicity campaign has been used in regulatory action. By the end of November, 330,000 investors had accepted offers of compensation worth more than £2bn. Vicki Bakhshi, London

FRAMLINGTON GROUP

Former chairman dies

Sir William Stuttaford, former chairman of the Framlington fund management group and of the Unit Trust Association, has died at the age of 70. As a partner in the stockbroking firm of Laurence, Prust, Bill Stuttaford helped to set up Framlington as a fund manager in 1969. He personally managed its flagship unit trust, establishing an unrivalled record in the 1970s and 1980s. He presided over Framilington's spin-off from Laurence, Prust but left after the group succumbed to a £70m takeover from Throg-morton Trust. He became deputy chairman of Brown Shipley, the merchant bank, and a director of Amvescap, the US fund management group. George Graham, London

THE ECONOMY CALLS FOR INTEREST RATE CUT AFTER SURVEY REVEALS DROP IN OUTPUT

Engineering sector 'collapsing'

By Kevin Brown and Peter Marsh

Employment, investment and output by the UK's engineering companies are collapsing as the industry enters a "very deep" recession the Engineering Employers' Federation said yesterday. Graham Mac-Kenzie, director-general of the EEF, called for further interest rate cuts and for help from the government to limit the impact of a predicted cut of 1 per cent in

output this year. "We are deeply concerned about the job losses going on, and about the cutback in investment plans that is taking place," said Mr Maccompanies employing more than 40 per cent of manufacturing workers.

England's long-term aim the net balance of

countries by the European said seasonally adjusted out-Central Bank. It is also put volume fell to its lowest pressing Mr Brown to introduce 100 per cent capital allowances for small and medium-sized engineering companies, and to provide financial help for projects, research and training.

In its fourth quarter business trends survey, conducted with Robson Rhodes, the accountants, the EEF a negative balance of 28 per

Demand for UK property is expected to grow over the

kenzie, who represents 5,000 a biannual survey from the Confederation of British industry, the employers' The EEF said the Bank of property consultancy. But should be to bring UK base respondents expecting an

rates, now at 6.25 per cent, increase in property holdings into line with the 3 per cent - 12 per cent - is the lowest rate set for the 11 euro-zone since 1994, according to

put volume fell to its lowest point in five years. The survey, which covers the three months from early

September 1998 to early December, measures the difference between the percentage of respondents reporting an improvement and those reporting a deterioration. After seasonal adjustment,

Demand for property expected to rise

next six months despite a more pessimistic business outlook, Norma Cohen writes. The findings come in lobby, and GVA Grimley, the

Stuart Morley, head of research at GVA Grimley. The reason for increased expenditure had also changed. "Twelve months ago, the most important

need to increase efficiency." Sudhir Junakar, CBI associate director of economic analysis, said the survey suggested that although demand might rise, there could still be surplus property on the market,

reason was the desire for

expansion; now it is the

put had fallen during the period, compared with minus 22 per cent in the third quarter. This was reflected in a

sharp fall in capacity utilisation: 23 per cent of respondents reported their plant working at a satisfactory rate, down from 27 per cent. Pay settlements also declined sharply in the past six months and were further below the service sector average than at any time since the late 1980s.

The restraint underlined how the sector had been forced to react to economic pressures, including the strength of sterling and weakness in important export markets such as south-east Asia. In November 1998, the last month for which figures are available. EEF member companies that publicise pay settlements awarded employees annual rises averaging 2.2 per cent. in June last year the figure was 3.8 per cent.

tion, a think-tank, showed 300 years. James Buxton reports that regional legislatures in opinion polls. Labour has ampaigning has in are selecting candidates effect started for the almost equally from both Canada and Australia smaller than the Scottish May 6 elections that sexes. The parliament will parliament - have between

walking through "division lobbies".

coalitions. Henry McLeish, a UK Scot-

tish Office minister, last month complained that the group drawing up the parlia- other Scottish parties were ment's rules aims to get not producing policies for votes cast. Traditionally, tion under proportional rep- says his party "intends to the parliament to enact. The tional atmosphere of the Scottish Office yesterday announced plans for land group has not said how the reform, embracing owner-Scottish executive will be ship, control of land use and the rights of landlord and tenant. They could be imple-

officials before national elec-

tions to prepare for the pos-

ties comes just four months

for 16 months before the 1997

Sir Richard Wilson, cabi-

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In the two-vote electoral system, Labour should do

this has helped Labour in Scotland. In the national election of 1997, for example, it took 77 per cent of House of Commons seats in Scotland with only 48 per cent of the vote, largely because of urban strongholds.

Nationalists win access to officials [national] election is that the former will take place on a Opposition parties including sible transfer of power. But fixed date while the latter

can be called many months before the end of a five-year term of office." An investigation into the impact of regional assemblies will examine the case for curtailing the rights of Opposition parties are tra- between the Scottish elec- ern Ireland. It will determine

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ditionally given access to tions and a general whether the 130 MPs representing districts outside England should retain the right to intervene in dehates on English legislation after the establishment of the Scottish parliament and assemblies in Wales and Northern Ireland. The investigation may increase pres- ing an endless continuation sure on the government to of balance the constitution by arguments?" speeding up plans for This of English regional assemblies. a series.

Critics of Ireland accord in dispute

By John Murray Brown

The small UK Unionist resents a further setback to party, a fierce opponent of the rejectionist approach the Northern Ireland peace adopted by many unionists agreement, split yesterday to power-sharing with after disagreements about nationalists. the presence in any future power sharing executive of bers had defied Mr Sinn Fein, political wing of McCartney's ruling that the

the Irish Republican Army.

The resignation of four of were allowed to take seats in the unionist party's five a power-sharing executive assembly members removes from the body some of the most vocal critics of David arms. Trimble, the Ulster Unionist leader and Northern immediate objective was to Ireland's first minister, who consolidate opposition to the

is seeking support for the agreement within the assemagreement from his own party. Robert McCartney, a lawyer, was left yesterday as the regional assembly. The other four assembly members are Unionists comes amid signs to form their own party.

bly, which would have been sole UKUP survivor in the The party's break-up does ists of the Rev Ian Paisley, not change the arithmetic of while opposed to the peace

the assembly, in which Mr deal, will take their two Trimble still enjoys a narrow seats in the executive.

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FINANCIAL TIMES WEDNESDAY JANUARY 6 1999 MHACH HER: Nomen adopt male half neceed. says psycholog Are you prepared to do business in the future? MAM CHIEF EXECUTIVE inttlement expected today Cars-on-trains' plan revie MENUAL SCANICS equiator in publicity dua emer chanting thes Suppose you're in the garment industry, and suddenly a new kind of insurance company comes along that can identify risks and help to secure success for the next five years, leaving you free to

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Manhattan transfer failure

An abandoned test in New York shows the US may miss out in a technological revolution, writes John Authers

ambitious attempt doubt. yet made to introduce smart Visa and MasterCard, the two largest global bank card bank and Chase Manhattan.

The smart card readers installed with retailers in the area are now being the US reluctance to move to removed, ensuring that the Mondex and Visa Cash cards distributed during the pilot structure for magnetic stripe will not be the basis for a cards before the rest of the national system of smart world, and had cheap telecards, using embedded chips rather than the traditional the stripe cards. There is magnetic stripe.

The abandonment of the change. trial was a blow to the smart card industry because of its cific reasons for the New implications. Although smart cards have been used were asking consumers to successfully in closed envi- put yet another piece of plasronments, such as US uni- tic into already overflowing versities, chip card makers have yet to crack the US card pilots will probably rely market as a whole. This on existing magnetic stripe raises the rare prospect of the US being left behind by a technological revolution that is sweeping the rest of the

That, in turn, could hit smart card users. Problems in developing the US market would hamper attempts to add extra functions to the smart cards already carried by international travellers from Europe.

interesting tensions," says don in the UK). Malcolm Williamson, who last year took over as chief executive of Visa Interna- up to accept the cards, but

in the Manhattan trial. neither retailers nor customers warmed to the cards, which never generated the hoped-for volumes. The on the doorstep, naturally

ast week, as the old witnessed and reported the year ended, the most trial, usually in terms of

All involved seem to agree cards to the US ended with on one lesson - that "stored it. After 15 months, a pilot value" alone was not enough programme in Manhattan's to persuade New Yorkers. Upper West Side including The cards allowed users to load money on to the chip from their normal ATMs, associations, along with Citi- and spend it at retailers. Copious advertising told New York's two biggest them this would cut the amount of loose change they would need

> Mr Williamsonattributes chip technology to the fact that it had built an infralittle economic incentive to

There were also more spe-York pilot failure. The banks wallets, and future smart

The Europeans and to some extent the Asians are getting a bit frustrated'

Europeans and to some cards with chips added. extent Asians are getting a (Consumers expressed simi-bit frustrated with the US lar concerns about having to moving so slowly. I think carry another card during a that is going to create some recent Mondex trial at Swin-Most retailers in the Upper

West Side area were signed most Upper West Siders work elsewhere - making the cards effectively only usable at weekends. In future, suggests Richard Phillimore, MasterCard's

ers - such as that the cards can be used in all branches of a retail chain or in any launderette or at every sta-

Smart cards' selling point in future, Visa and Master-Card agree, will be multiple functions. Ideally, they will carry consumers' loyalty points and maybe even their identification cards. They might even be used to short-circuit the tedium of checking in at hotels or airports. Stored value will be just part of the "suite" of

But Visa and MasterCard seem unlikely to collaborate on any similar joint venture in the near future, and they are locked in an acrimonious argument over standards.

An important objective of operability". Two systems -Visa's Visa Cash and Master-Card's Mondex - were tested. Both operated on the same equipment.

This technology worked

However, Visa officials said

retailers had complained about the complexity of going through two different ses for the two cards, and called for a move to a common electronic purse standard. This would allow all smart cards to work off the same reader using the same process, and competition between banks would hinge on the extra benefits they loaded on the chips. Visa is developing such a standard, based on the Java

However, MasterCard believes the technical success of inter-operability in New York provides sufficient standardisation, and that different systems should continue to be developed separately.

According to Mr Phillimore: "I don't believe it's in the banks' competitive interests or the associations' competitive interests to develop a common product. It is very difficult in this area to separate standards from products - you inevitably get into a world's financial press, being head of smart cards, the common definition of a common product.' association will ensure it can



wants more standardisation. Mr Williamson describes Mondex as "one of many potential operating systems", and adds: "The best thing that could happen is that it is made to operate on the open operating plat-

He believes that global standards would belp stimulate competition, which would then be defined by whatever functions banks put on the chip. And he draws comparisons with the growth of the magnetic stripe that also required a common standard before it

became popular. The issue is important because of the infrastructure costs involved in building a payment system. new smart card network. Banks will be reluctant to build a network of smartcard readers if there is a risk they could quickly be super-

acceptance for chip cards, consumers are unlikely to

son can still sketch a credible path that will lead the US finally to embrace smart card technology. Defence against fraud will be important, but there will be a concern to protect franchises and to expand customer relationships.

The last thing banks need, he points out, is for other players to break into their ground. Smart cards with extra functions could allow retailers, or the biggest usure banks' control of the

Smart cards will allow banks to extend their relationships with customers. "If too difficult to charge small you have an international sums for it. Smart cards traveller from Britain in five would change that.

Gate, the account by Bryan

Burrough and John Helyar

of the contested acquisition

of RJR Nabisco. And the

funniest business novel is.

again, by an American and,

chip, but when he gets to America he has got to use a magnetic stripe, he may not Despite the outcome of the feel he is getting the best Manhattan trial, Mr William service. There is all sorts of service. There is all sorts of peer group pressure on this."

And both MasterCard and Visa believe they can see a "killer application" on the horizon - payments over the internet. Mr. Phillimore sug gests that smart cards will be ideal for e-commerce, because they allow an individual's identification to be made portable. Using a smart-card reader, a user can sign in to a secure wel

site from any terminal. It also has the advantage names in the internet, to of being easily used for very small payments. Most information on the internet is free, Mr Phillimore says, simply because it would be



LOUISE KEHOE IN SAN FRANCISCO EAGLE EYE

My virtual

year ahead for investors in internet stocks seems a

safe prediction It is thine for that grand tradition of the new year. making predictions in the fast changing would of bigh technology line is a perflous business; but at the

will not be a success. This is a safe prediction for the first half of the year, and my bet is that it will hald true well into the new millennitin. I just don't believe that most people want to see web

pages on their TV scae One exception may be hotel room services. For business travellers, the ability to look up web pages setting up a laptop PC and incurring outrageous telephone charges for

spending half an hour online is a real object. But in the home or office there is no question that a computer is

These who expect to bring the internet to the monputing" public via telévision ignore an important factor. Watching television is not a solitary activity. Switching off ER to check your e-mail will do little for family harmony.

• Another safe bet: 1999 will try the nerves of investors in internet stocks. On Monday, the first trading day of the year, shares in Spyglass, the internet software company, closed 32 per cent lower after the company said it would report a loss for the last

Since most internet a profit, why should one more quarter of losses upset Spyglass investors? In this instance. Wall Street analysts had been predicting a modest profit for the quarter. We can expect to see this pattern repeated and repeated over the next 12 months as internet companies fail to live up to optimistic expectations and analysts begin applying traditional valuation methods to their shares.

 Who will be the winners in 1999? PC manufacturers with spiffy new designs. manufacturers of flat screen fisplays, and those involved in bringing customer service to the internet top my list. Let's give credit where it is due. The Apple Mac has been a huge success. It offers little in the way of new technology, but it looks good and it has been backed by a relentless advertising campaign. The "beige box" makers are not ignoring this trend. Expect to see a lot more imagination going into the design of computers this

A flat screen display is on my wish list. It is one of those products you want to own at first sight. If manufacturers can get prices down to, say \$500, there will be huge demand. Customer service is

assential to the continued . growth of internet commerce and this year we can expect

as business to business sellers, bringing live video of real salespeople to their web customer service. representatives available to respond via telephone or instant messaging services.

Meanwhile, there are two

big issues hanging over the high-tech industry in 1999. What will be the effects of Y2K bugs? And how will the Microsoft antitrust trial end? Here are my best guesses:-There will be no catastrophic Y2K problems in the US. Computer failures will cause some inconvenience, but fears of. widespread dusiness closures are unfounded. Unfortunately, the same may not be true of other parts of the world, such as astern Europe and parts of Asia. And Y2K bugs will not manifest themselves auddenly on January 1, 2000.

Many software applications that deal with annual figures will start using new millennium dates in the coming months. So well before the end of this year, we will all have a much better idea of the magnitude of the problem.

Microsoft is the multibillion dollar question. With the US government still presenting its side of the antitrust case, and Microsoft yet to put its witnesses on the stand it is too early to predict the outcome of the antitrust trial. However, the scales of justice are currently tipping away from Microsoft, making it entirely ssible that Judge Thomas Pentield Jackson will rule

against the company. But what then? If Microsoft loses, what will be the effects on the IT industry and on the millions of PC users who rely on Microsoft's products? For the duration of 1999, it seems unlikely that the status quo will be upset. Even if the break-up of Microsoft - the most extreme remedy - it would probably take years to disentangle the company's operations. Moreover, Microsoft would certainly appeal against any such indement leading to long delays in any direct impact on its competitors and

My hunch is that it will never come to that. Rather. Microsoft-may-seek an out of court settlement: a compromise agreement with

satisfies both sides. For Microsoft, this would be preferable to prolonging the legal battle. It would also relieve the US Justice ... Department of finding a way to clip Microsoft's wings without threatening the livelihoods of thousands of US technology companies and unsettling the entire population of personal . computer users. The more immediate effect of the trial may be to breed disiliusi among the top ranks at Microsoft. I would not be surprised to see one or two enior executives seeking out more pleasant ways to spend their lives than lefending the company's

Share your views in the Engle Bye discussion group on the FT web site (with FT.com) or remark Louise Kehoe ou e-mail on Deehoe@ix.netcom.com

Few competitors in a novel business all - it is Barbarians at the

When did you last read a gripping business novel? Modern US fiction-writers have a sharper eye for contemporary commerce than their British counterparts there are few modern

Last year one novel with a the shortlist for the prestigious UK annual literary award, the Booke Prize - England, England, by Julian Barnes. It was necessary reading but as I came to the end I wondered why modern novelists find it so hard to deal with modern husiness.

Barnes's novel is not aimed at displacing The Seven Habits of Highly Effective People from the airport bookstalls. Indeed it is probably enough to suade most Financial Times readers from picking it up if I say that Barnes is an Anglo-French intellectual, that his previous works include Flaubert's Parrot and A History of the World in 10% Chapters, and that the them of *England*, *England* is relentlessly post-modern the transformation of the

Isle of Wight into a theme park in which the image and the reality of England are hopelessly confused. The central flgure is

modelied on Robert Maxwell, the egocentric newspaper proprietor who plundered his employees' pension fund before dying mysteriously in a fall from his yacht. Sir Jack Pitman is an obsessive English patriot, despite his East European origins. His vanity is unbounded and his oersonal habits repulsive. He has been declared "unfit to run a whelk stall" by a Department of Trade and Industry inspector but has nevertheless risen to command a great business

It is significant that Barnes has borrowed rather than created the character o a tycoon and his account of Pitman has none of the portrait of the real thing in

Maxwell - the Outsider. And Barnes is far less effective than Bower in exploring the nature of a larger-than-life grotesque, or how it is that someone whose flaws are even more evident than his talents can go on winning the necessary support of people more able than himself. To find a good fictional exploration of these questions, you have to go ack more than a century, to

Anthony Trollope's The Way We Live Now. Barnes's other central character – Martha Cochrane, the tough-minded female executive who blackmails her way to the top position in Pitman's empire – fails to convince and his account of the actual business dealings of Pitman and Cochrane is sketchy in the extreme. The most memorable character is Dr Max, the media don.

And therein lies a clue. If

business novels, there are many modern academic novels. These range from the ponderous dissection of Cambridge politics in C.P. Snow's Strangers and Brothers series to some of the best comic writing in recent fiction - Kingsley Amis's Luciu Jim, Malcolm Bradbury's The History Man and Tom Sharpe's *Porterhouse Blue*. These authors write best about

worlds they know. talent and few in the complete disjunction between the business world and academic and literary circles, there is an almost complete absence of good ousiness novels. The US is served better.

recent years is not a novel at

again, is not a novel, although we must hope that not all of what it describes is true. This is Liar's Poker. Michael Lewis's account of his time at Salomon But the finest literary commentator on business is Tom Wolfe, whose second novel, A Man in Full, appeared in the autumn. Wolfe does not set out to

There are many people in cademic life with literary business world. And since in

write a business novel. In The Bonfire of the Vanities he took apart the life of New York, and in his latest work he does the same for Atlanta. Wolfe is, in many respects, the modern. American Charles Dickens His characterisation and plot delight in exaggeration

He delves into every aspect of the societies with which politics and social habits.

central to the lives of both New York and Atlanta. erce is equally central to these novels

But Wolfe is concerned to understand business as well as to castigate it. Dickens, or even Trollope, displayed the same British disregard for the mechanics of industry and commerce that is conspicuous in Barnes.

Wolfe, his acerbity directed by careful research. does not. And that is why The Bonfire of the Vanities identifies, unerringly, key weaknesses in modern American society – the over-expansion of financial ervices, excessive emphasis on litigation, and explosive racially based class divisions. And that is why A Man in Full would be my book of the year for 1998.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of nn appears fortnightly.

Corporate radar.

FINANCIAL TIMES No FT, no comment.

محذامن الأحل

Why Piano is music to Rome's ears

The image of the city is being enhanced by a new arts complex and amphitheatre, reports Luciano Chianese

Italians used to wonder why ruption, scandal and enoran architect of Renzo Piano's mous waste. It is ironical international standing had that some of the most notanever received a commission ble features of 20th century in Rome. Then, in 1994, he architecture in Rome are a won a competition to design the city's new music perfor- torship. mance centre. While Piano is talent to be "discovered" in Italy after gaining recognihas a political significance, matches his

undoubted worth. Changes in national politics have increased the pressure on the authorities to shrug off the chaotic image of Italian public life. Although he is an innovative designer. Piano is known for never letting fine trimmings interfere with functionality. This, together with his personal prestige and knowledge of how things work in Italy, offers a reasonable guarantee that the project will work out as planned. Construction began in 1996, and Piano is confident it will be finished by 2001 at the

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Since Italian unification, Rome has tried to equip minister for cultural heriitself with the infrastructure for a capital city. The transformation has been sporadic, of projects that had been not helped by a succession of gathering dust on ministegovernments beset with cor- rial shelves.

legacy of the Fascist dicta-

One thing the Fascist by no means the first Italian regime failed to do, however, was build a new hall for the Orchestra of the Accademia tion abroad; the decision to Nazionale di Santa Cecilia, entrust him with this project the city's main concert ensemble. Until the late 1930s, the orchestra used the Augusteo, so named because it was situated on top of Emperor Augustus's mausoleum. But the order to destroy this magnificent hall came from Mussolini, who wanted to showcase the tomb as a symbol of his own imperialist aspirations. The erection of a new hall was supposed to be a matter of a few years - and that was in 1936. Two competitions to design it came to nothing. However, when the ex-Communist PDS (Democratic Party of the Left) entered government as the largest component in Romano Prodi's coalition.

Walter Veltroni, who was

tage as well as deputy prime

minister, triggered a series

linked to the Holy Year celebrations in the year 2000, the new music performance centre has nonetheless benefited from the desire to have a pristine city for the 40m pilgrims expected to descend on the Italian capital. The complex is situated next to the main traffic artery leading in to Rome from the

pre-imperial farmhouse villa tion, the entire complex is were uncovered. Now incor- expected to be largely selfporated into the design, the financing, with shops, resvilla should be an additional attraction at the centre, run activities. There will which will also house a also be rehearsal rooms and small museum of artefacts a museum for the Accaderecovered during excavation. mia di Santa Cecilia's collec-Despite this and other tion of musical instruments. complications, costs have turned out to be less than

Piano's design was easily the most adaptable. When archaeological ruins were unearthed - every architect's nightmare when building in Rome he simply modified his plans

racks and the 1960s Olympic village. The authorities want to transform the area into a cultural meeting point. Whether or not Piano's design was the best of the 500, there is every prospect nine projects submitted, it that the città della musica was easily the most adaptable. This was far-sighted of capital. The main audito-Piano, who had no problem rium will be for symphonic modifying his project when and choral performances, archaeological ruins - every the small one for chamber architect's nightmare when music. The medium-size hall building in Rome - were is to be a multiple-function around the orchestra in

occupied by military bar-

north, in an area currently expected. The original budget came to nearly L200bn (£74m). That figure has now been lowered to L150bn. With three halls shaped

like giant beetles, seating respectively 2,700, 1,200 and will be worthy of a modern unearthed during site clear- space, available for confer-

Although not strictly year while the remains of a Although a public institutaurants and other privately

> The three halls will face on to an open-air amphitheatre seating 3,000, bringing the combined capacity of the centre to a dazzling 7.400. Plano maintains that by positioning the halls and the adjacent main road, open-air performances will not be affected by the roar of traffic. The amphitheatre, perhaps the most "Roman" feature of the complex, has been designed as its focal point. Piano says it could be used for ice-skating in win-

Pierre Boulez and Luciano Berio have collaborated with acoustics specialist Helmut sound in the performance halls is of the best quality. The main auditorium follows the "vineyard" design pioneered by Hans Scharoun at the Berlin Philharmonie, with seating arranged tiers. Although the Rome ance. Work stopped for a ences as well as concerts. city council had requested diction to ensure success.

that the largest of the three halls should seat 3,000, capacity was reduced when detailed studies revealed that 2,700 was the limit at which the furthest away could hear properly without

amplification. One of the first obstacles facing the project was Piano's choice of wood panelling for the interiors. A government board wanted the design changed, on the grounds that wood was not a traditional Roman building material. However, with support from the mayor. Piano stuck to his choice. The extebetween the amphitheatre rior will be sheathed in lead - a very Roman material, and one which quickly acquires an unobtrusive patina through oxidisation.

Of all the Piano-designed projects under construction, including the Potsdamer Platz in Berlin and a sanctuary dedicated to the mystic healer, Padre Pio, at San Giovanni Rotondo in southern Italy, the architect shows a particular fondness Mueller to ensure that the for the performance centre in Rome. But sentiment alone will not be enough to next year, when Rome will once again stand at the centre of the Christian world. hour days at the site, Piano may need supernatural bene-



needed to ensure a timely success; the architect Renzo Plano

Fizzing virtuoso saves Ashton's masterpiece

BALLET **CLEMENT CRISP**

La fille mel gardée Royal Festival Hall, London SE1

Frederick Ashton's version of La fille mal gardée is a masterpiece, one of the two greatest comedy ballets we have (the other is Coppélia.) In its current South Bank season, the Royal Ballet is offering 16 performances of the piece, with varied - very varied - casting. And in an advertising campaign of numbing vulgarity, this balletic jewel is being touted with the idea that it "isn't ijst a ballet, it's a pantoime." How true of our age is that "just a ballet". The copywriters missed a trick, though, because there are chickens in the ballet - as well as the drag Widow who features so unappealingly on the posters. Why not advertise it as "not just a ballet,

it's a poultry show"? The mistrust of Ashton's barbarisms, was also evident in the casting. In only one of I have just seen, did a role receive its full honour - and pany, and a fizzing virtuoso.

Originally, in 1960, the ballet enshriped four stunning principal roles, stunningly done. Ashton responded to ness and grace of Nadia Nerina, when he made Lise for her, as he honoured David presence and the bold sweep of his dancing for Colas. Alexander Grant, a superb character dancer, was Alain, his delightful sense of humour shadowed by pathos; Stanley Holden, glo- in order to copy their elders life, but is was Sarah Wildor riously resourceful in com- and betters, but to illumi- who alone gave Lise the stood this point. (Irek Muk- play of bone and muscula-



the unflawed television ver- their interpretations, surely sion of the ballet made by Margaret Dale for the BBC within a year of the ballet's so mistimed, so misbegotten. creation. And there, miraculously preserved for poster- Ning Liu playing Alain like ity, are choreography and a demon from a Peking interpretations in pristine the heady brayura, the light- and irresistible state. There we can see the pastoral sweetness that touches dan - and the clog-dance all every moment, and the clar-Blair's handsome, virile ity of dance in phrase and feeling which were so curiously lacking in the performances that I have just seen. I do not know if the cur- in step and style. Mara Gal-

rent casts have been given eazzi made a debut as Lise this recording to study - not that gradually warmed to

not, otherwise the readings would not look so sketchy, There is no excuse for Shiopera; nor for the portraits of Simone by Ashley Page and Luke Heydon as a harrifluster, nor for the absence of dramatic verve in Inaki Urlezaga's Colas; nor for the gifted Belinda Hatley making Lise seem like a hoyden

have lately been looking at the ballet - but to judge by able girl must have, and told interpreters of Colas, also us). of the joys of young love in gives full value to the dance her ecstatic looks at Bruce Sansom's Colas. even if the is peerless nowadays.) brightness of her dances was at moment dulled.

For this is a ballet which ment of his presence. His has a double narrative, in its dramatic scheme and its pleasure in bravura. Nerina was diamond-bright and had a gazelle's jump - light, effortless, joyous in shape. as we know from each role Ashton made for her - and Blair found a rhythmic drive for every demanding step. To short-change these technical challenges is to minimise the ballet, and only Carlos Acosta has under-

the three performances that edy and step, was Simone. I nate their understanding of emotional grace this ador- hamedov, one of the best ture as movement is given to

and his acting of the role Acosta comes on stage and we sense at once the exciteacting may be more decent than commanding - though he has a nice way with him - but the dancing is radiant, bold, effortless. Pirouettes interesting. He danced with spring into life, with impetus a welcome brightness, using richly sustained until the last eloquent turn; the jump is high, lingering; his entire frame proclaims the dignity and power of academic dance - and its expressive potential (you "read" his body, seeing in it the grand

It is this physical vitality - in each of the principal roles - that needs to be understood by today's casts. quite as much as the subtle ties of the drama. It was his willingness to explore the choreography's potential that made Jonathan Howell's view of Alain so the text, and finding character in it - less clownish, more vulnerable. I thought it a touching and rewarding view of a difficult role. John Lanchbery, who confected the score in 1960, was most happily on hand to conduct

MUSIC PLG YOUNG ARTISTS NEW YEAR SERIES

Fresh talent put through its paces

Monday night at the South Pyramids" and Nigel Bank's Purcell Room, offers Clarke's "Tangaroa", but not fresh performers playing surprisingly had little room contemporary scores - a to manoeuvre with Roberto music festival in all but name. It runs twice-daily little "Bone Alphabet", the until Friday. Then on Mon- latter scored for seven tight day the four-day Young percussion instruments that Composers' Symposium "may all be transported in a begins - a chance to hear single suitcase". music written by still

younger talent. The repertoire for the 10 concerts was picked by the with an ear for balanced prochallenging Concord Sonata (1912), to premieres from (Commissions are absent this year insufficient funding.) In many cases the perwon auditions last spring them specifically for these concerts.

Gyorgy Ligeti's music is eatured four times, with a couple of pieces each by Judith Weir, Graham Fitkin, Elliott Carter, and Gary Carpenter. While the beauty of a series like this is encountering the unexpected, some anticipated names include Salvatore Sciarrino, Per Norgard and Thomas Adès

Yet the balanced programmes led to some drawbacks in performance, when despite the virtuosity of the performer, the music didn't match his range or personality. On Monday, Portuguese percussionist Pedro Carneiro, with impressive coordination on the marimba,

The Park Lane Group's winningly conveyed the sto-Young Artists New Year ry-telling aspects of João Series, which opened on Pedro Oliveira's "Crystal go-O" or Ferneyhough's drab "may all be transported in a

For the later concert, the London City Brass Quintet started and finished well with Lutoslawski's "Mini Park Lane Group committee Overture" and the "Commedia IV" by Richard Rodney grammes, from Ives's still- Bennett, only to sag against the crepuscular fogborns of "Among the Stones" by Huw Watkins, Martyn Stuart Macrae (b.1976), and Harry, and Franz Geysen. Justin Conolly's "Cinquepaces". Notable was Rachel McLoughlin's clean horn playing.

had no such troubles, but learned works assigned to then, his four works all shared a similar launchpoint: a post-Bartók, modernism-but-light-on-the abstraction quality. Julian Anderson's Rtude No. 3 showed less personality than Gubaidulina's "Chaconne". even through the latter's grimson's jazzy "Homage to Mondrian" set Broadway boogie-woogie as rowdy tone painting. Hagon also gave a strong account of three Ligeti Etudes, which, along define the genre.

Pierre Ruhe

INTERNATIONAL

Guide

EXHIBITION

Rijksmuseum Tel: 31-20-673 2121 The Festival of Lithography: celebration of the 200th anniversary of the discovery of lithography. The exhibition consists of works from the collection, including lithographs by Toulouse-Lautrec, works by Cezanne, Manet, and Dutch artists including Van Gogh; to Jan 10

CHICAGO

EXHIBITION Art Institute Of Chicago Tel: 1-312-443 3600 Mary Cassatt: Modern Woman. 125 paintings, drawings and Grints by the only American invited to exhibit in the Impressionist exhibitions in Paris. Closely associated with Degas, Monet and Pisarro, in later life she became a celebrated collector and patron. The show will travel to Boston and Washington later this year; to

COLOGNE OPERA Oper der Stadt Tel: 49-221-221 8240 Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai: Jan 8

COPENHAGEN EXHIBITION Louisiana Museum of Modern Art, Humlebaek Tel: 45-4919 0719

www.louisiana.dk Joan Miró: major retrospective comprising 140 paintings, drawings and sculptures including works borrowed from the artist's family since the exhibition was shown in Stockholm over the summer, to

EXHIBITION National Gallery of Scotland Tel: 44-131-624 6200 Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by the Victorian collector Henry Vaughan in 1900; to Jan 31

EDINBURGH

HAMBURG EXHIBITION

Kunsthalle Kandinsky, Chagall, Malevich and the Russian Avant-Garde: show tracing the art movements between the Russian revolutions of 1905 and 1918, and focusing on attempts by artists to fuse aspects of folk culture with from Russian museums; to

Western modernism. Many of the 100 works on display are on loan LONDON EXHIBITION

Victoria and Albert Museum Tel: 44-171-938 8500 Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. A member of the fin-de-siècle avant-garde, Beardslev left England for Dieppe following Wilde's disastrous libel action and subsequent imprisonment in 1895. The exhibition, which arrives in London after touring in Japan, marks the centenary of Beardsley's tragically early death,

THEATRE

Tel: 44-171-876 1115 Mr Puntile and his man Matti: Kathryn Hunter's production of Brecht's satirical comedy moves from its October run in the Almeida Theatre to the West End. Comic due Sean Foley and Hamish McColl play the title roles: Jan 6, 7, 8, 9

National Theatre Tel: 44-171-928 2252

Betrayat: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Pierpont Morgan Library Calf and Imogen Stubbs; Lyttleton Theatre:

LOS ANGELES

OPERA L. A. Opera, Dorothy Chandle Tel: 1-213-972 8001

Jan 8, 9, 11, 12

www.laopera.org Madama Butterfly: by Puccini. and directed by Christopher Harlan. With a cast including Yoko Watanabe, Richard Leech and John Ations; Jan 10, 13

NEW YORK EXHIBITIONS Guagenheim Museum SoHo

Tel: 1-212-423 3500 www.auggenheim.org Visual Arts, Architecture & Design from France, 1958-1998. Exploration of the different ways in which artists have engaged with space. Display ranges across installation, film, video, photography and architecture. Includes works by Yves Klein, Le Corbusier, Louise Bourgeois and Sophie Calle: to Jan 10 Metropolitan Museum of Art

Tel: 1-212-879 5500 www.metmuseum.org The Nature of Islamic Omament. Part II: Vegetal Patterns, Second in a four-part series on Islamic omament from the 9th to the

brocades and carnets; to Jan 10

Tel: 1-212-685 0008 Master Drawings from The State Hermitage Museum, St. tersburg, and The Pushkin State Museum of Fine Arts, Moscow, 120 European drawings dating from the 15th to the 20th centuries, some of which have never before been exhibited outside Russia. Includes works by Rembrandt and Dürer, with particular emphasis on the modernists Matisse and Picasso;

Metropolitan Opera, Lincoln Tel: 1-212-362 6000

www.metopera.org Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalski and Bo Skovhus; Jan 6, 9

CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Alan Gilbert in works by Ravel, Dutilleux and Schumann; Jan 6, 7 Orchestre de Paris; conducted by Lorin Maazel in works by Weber, Debussy,

PARIS

Schubert and Ravel; Jan 13 EXHIBITION **Grand Palais** Tel: 33-1-4413 1730 Lorenzo Lotto: Rediscovered

Master of the Renaissance. 50 paintings, many of them on loan from churches and museums in Italy. The exhibition has been

seen in Washington and Bergamo; to Jan 11 **PRAGUE** THEATRE National Theatre of Prague Tel: 420-2-2108 0131 www.anet.cz/nd The Servant of Two Masters: by Carlo Goldoni. Directed by Ivan Rajmont; Jan 11

ROTTERDAM EXHIBITION

Kunstha Tel: 31-10-440 0300 Up to the bare bones: Human remains in museums. An estimated hundred thousand. human beings find their last resting place in Dutch museums whether in the form of mummies, skulls, skeletons, reliquaries or otherwise. This exhibition is the first to address this phenomenon directly, presenting exhibits from medical, sacral, ethnographical and archaeological collections, to Jan 10

SAN FRANCISCO CONCERTS Davies Symphony Hall Tel: 1-415-864 6000

www.sfsymphony.org conducted by Kurt Masur in works by R. Strauss and Tchaikovsky, Jan 11 San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by

WASHINGTON

Mendelssohn, Barber and

Mahler, With violin soloist Gil

Shaham; Jan 6, 7, 8, 9, 10

OPERA Washington Opera, Kennedy Tel: 1-202-295 2400 www.dc-opera.org Die Entführung aus dem Serail: by Mozart. L.A. Opera production by Michael Hampe, conducted here by Heinz Frick; Eisenhower Theater, Jan 7, 9, 11, 13

■ TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TY

 CNN International Monday to Friday, GMT:

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19,30: World Business Today 22.00: World Business Today Update

Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



Europe's challenge

The survival of the single currency depends in the long run on the creation of a legitimate federal democracy

unity must be a positive force, deriving its strength from our sense of common spiritual values . . It is said with some truth that this . involves some sacrifice or ·merger of national successful tactics. But they sovereignty. I prefer to regard il as the gradual assumption bu all the nations concerned of that larger sovereignty. which alone can protect their customs and characteristics. Winston Churchill, 1948

Europe was the dominant influence on the second millennium. This was not what any intelligent observer would have expected 1,000 years ago. Of the civilisations of Eurasia. Christian Europe was, on all measures, much the least advanced. Yet over the succeeding centuries western Europe and its colonies transformed the entire world. It did so largely because of the rivalries among its states.

Now, however, Europe is seized by a millenarian dream: unity. Of the many creeds and visions that have stirred Europeans over the centuries – from Christian dogma to nationalism, racism and revolutionary socialism - this must be , much the most benign and

For the British, the second world war was a vindication. For Germans, French and Italians, it represented defeat, disaster and disgrace. Postrate and discredited, the old continent of internal · rivalry and nationalism had become anathema. The new . answers were to be democracy and unity. Later. these were spread across the continent, first south and, more recently, east.

The chosen path towards the objective was, however, functional, no

constitutional: Europe was to be integrated politically, by being integrated economically. Moreover, the journey was to be taken one practical step at a time. These were brilliantly

were just that - tactics. British protagonists of participation in the grand European project have, too often, pretended that the economic means were also the ends. Even now proponents of British adoption of the euro pretend this is an economic decision to be taken on the basis of a conventional calculation of national economic interest. This is dishonest nonsense. The goal has never been strictly economic. It has always been to secure an irrevocable political integration of Europe's

states and peoples. Now, with the launch of the euro, Europe has reached the end of its functional path: economic integration per se has become a matter of dotting "i"s and crossing "t"s. The

ensure sensible conformity between fiscal and monetary Third, the new euro-zone is destined to be a great economic power. Others will expect it to put forward clear and intellectually coherent

are borne by all. Second, the political

policy are far greater than

they were a century ago.

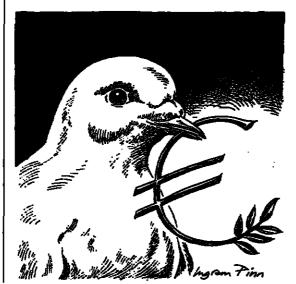
to manage demand and

continent must return, willynilly, to the political Fourth, the euro will, like questions left aside at the a wedding ring, be a beginning of its journey, half powerful symbol of a century ago. summated marriage. It For the proposition that will remind people and politics - or, more precisely, the constitution - is the governments that they are

fundamental internal challenge confronting the has sharpened questions European Union, two cogent about the harmonisation of arguments can be advanced: policies. Already, to take iust one example, tax has first, political integration is pecome a central topic in the at the least a natural corollary of monetary union; European debate. econd and more important, Finally, political the EU's current political

structure is intolerable to anybody who believes in liberal democracy. Some have argued that, like the gold standard, the Indeed, it is only for its birth of a single European could have abandoned a currency does not entail currency as potent and deeper political integration. There are several strong beloved as the D-Mark. reasons for rejecting that It is almost inconceivable

view out of hand. First, if a country broke the rules of the gold standard, it was forced off gold - or forced others off it. In a monetary union, the costs of



or hindrance. Worse, as Enrique Barón Spanish former president of the European parliament remarks in one of the better pro-EU books to appear in recent years: "The

consequence of Community demands placed on economic integration has been the transfer of power from the legislature to the executive Ministers exercising the legislative power behind closed doors and without bearing collective

policies and then implement executives has operated alongside unelected bureaucrats to secure the now emerged is a proto-

linked to one another. Fifth, the monetary union democracy cannot long be secured by a structure that

integration was, in any case, one of the chief purposes of monetary union. Proponents. notably in Germany, bave never concealed this aim. achievement that Germans

therefore that political integration can halt where it s. But further political development is also desirable, for the simple reason that the EU's presen structure is intolerable. Cynics point out that if a country organised like the EU were to apply for membership, it would be rejected because it is not a

mocracy. They are right.

concentrated in the hands of

Enormous power is

three unelected bureaucracies: the Commission, the Court of Justice and now the European Central Bank. The Commission has a monopoly of legislative initiative; the Court has wide discretion in interpreting the goals of treaties; and the ECB is able to decide both its goals and instruments without any let

principal historical of each country, rather than from the national capital to Brussels, with the Council of

responsibility as a body." European integration has, in short, been a benevolent elite plot in which a cartel of economic integration of the continent. But what has by federation without many of the requirements of a democracy. European

is itself undemocratic. Remedving this defect is Europe's biggest internal task. It is one that the monetary union merely makes more pressing Unfortunately, the EU faces more obstacles to entrenchment of a democratic political order than any existing democracy: Switzerland is far smaller; the US has a single language and political culture; Canada's two

never sovereign states; and the UK, though containing two historic states, at least shares a languag The big gamble Europe has made is on its ability to establish a living and successful federal democracy

linguistic communities were

in a diverse continent of many languages, cultures and historical traditions. Moreover, this must be achieved without sacrificing the principal historic motor of European achievement: competition among the What has been achieved

over the past half century is extraordinary. But whether the great gamble of unification comes off ultimately depends on how far Europe can turn itself into a true federal democracy. That is what it must become. It cannot remain what it now is.

Enrique Barón, Europe at the Dawn of the Miller (Macmillan, 1997) Martin.Wolf@ft.com

LETTERS TO THE EDITOR

Time for UK government to come out in favour of joining the euro

the euro", January 4) on the day that the euro was so suc- (FT, January 4). cessfully traded on world markets for the first time, an impartial survey of his you rightly say that its birth 47,000 members and a recent is an important event in European history" - arguably the most important event on the European continent since the establishment of the Common Market in

The tragedy is that, once again, a great European project that will affect British people whether we like it or not, will go ahead without the UK.

have been warning (for example, the statement published in your paper on rency, we are outside the November 23), staying out room when our European I note that Tim Melville-

Yet there has never been Gallup study of British directors showed 58 per cent in favour of joining the euro in

the exchange rate and monetary stability, the price transparency and the should join. competitive advantage it

There is another disadvanneighbours discuss vital

They understand even if

could enjoy within the

matters of economic and

From Mr Gles Radies, MP. Ross, director general of the monetary policy. The costs Sir, in your excellent institute of Directors, still of self-imposed exclusion leader ("Taking a lead from claims that his members are will grow the longer than the street of the costs of the costs of the costs of the costs of the costs." opposed to joining the euro Britain hesitates on the

brink. It is time for the government to come out publicly in favour of membership and to set a target date for entry.

An end to uncertainty about the UK's position would be a huge boost for business and would allow us Mr Melville-Ross does not, to retain the confidence of that outside, British busi-international investors. And ness will not benefit from we could finally begin the suade British people that we

Gues Radice MP, European Movement tage. Outside the single cur Dean Bradley House. 52 Horseferry Road, SWIP 2AF.

EU and US have an important role to play in beating organised crime in the Balkans

Danspeckgruber. Sir, John Lloyd ("Freedom to corrupt", December 19/20) emphasised the costly impact of "cyber crime" and blames Russian criminal organisations. The interference of criminals in everyday life affects all strata of the population in the Balkans and is a threatening and costly challenge for the regional and international community. It is caused by the devastating impact of the recent war in the former Yugoslavia, by the biting effects of international sanctions on national economies and regional trade and by the instabilities in emerging

post-communist societies. Many citizens in the region of the former Yugoslavia and beyond are confronted with a painful dilemma: to either barely Yugoslavia and beyond, New Jersey 08544, USA

From Professor Wolfgang survive through legal activiocal authorities need very good) living with a ment to eliminate the scope varying degree of involve-ment in illegal endeavours. and influence of organised crime and enforce a respect-They can profit either from the (legal) production and distribution of an illegal product or from the illegal production and distribution of a legal product or

> The proceeds of such illegal activities have now become a significant part of personal incomes and of the regional gross domestic product, They comprise also corruption and co-operation by governmental and law and order personnel. Their meagre income and inappropriate training and equipment make them easy prey for better organised and

equipped criminals. In the region of the former Princeton.

ity or to make a (perhaps assistance and encourageable legal attitude to everyday commercial operations, while European and US law enforcement organisations have to increase their co-operation. Otherwise we will be confronted with the staggering costs of internathreat of increasing infestation of western societies by

> Prof Wolfgang Danspeckgruber. Research Programme on Self-Determination, The Woodrow Wilson School Princeton University

safety commission before

Christmas Mr Schröder has

warned the Greens that they

run the risk of wrecking the

understanding on which the

The chancellor is not a

natural ally of the Greens.

He agrees with the principle

of phasing out nuclear

power, but it is by no means

one of his key objectives. Far

more important is the goal

of boosting employment and

Germany's attractiveness as

an investment location

through a tripartite alliance

for jobs between govern-

ment, unions and employers.

larly concerned about the

implications of a sudden exit

from nuclear energy. He

jobs; the government may

face compensation claims

from the operators of

of domestic business. Fur-

thermore, if the reprocessing

contracts with Cogema of

France and British Nuclear

Fuels are broken, the gov-

ernment could be liable to a

further wave of claims for

Mr Schröder is particu-

organised crime.

Number One Southwark Bridge, London SE1 9HL We are litten to encourage letters from readers worldwide. Letters may be fixed to 444 171-873 5938 (set lax to "tine"), e.meti. letters.editor@fl.com Published letters are slee evellable on the FT web site, http://www.FT.com Translation may be available for letters written in the mein international lenguages. Fax 0171 873 5938. Letters about the typed and not hand written.

GOVERNMENT OF PAKISTAN



PRIVATISATION COMMISSION

Invitation for

"Expression of Interest"

for Prequalification as Underwriter of Government of Pakistan's 49% Equity Stake in

Allied Bank of Pakistan Limited (ABL)

he Government of Pakistan **Privatisation Commission** ("PC") intends to divest its remaining equity stake of approximately 49% (equivalent to approximately 51.97 million shares) in Allied Bank of Pakistan Limited by way of an offer for sale to the general public through domestic stock

is one of the largest private banks in Pakistan operating 925 branches nationwide as well as 4 branches in the United Kingdom.

Advisor to the Privatisation Commission for this transaction.

Expressions of interest (EOI) to act as Underwriters are invited from interested parties and consortiums, who are willing to underwrite the entire offer. EOis should be accompanied by a bank draft favouring ation Commission, Government of Pakistan amounting to a non-refundable processing fee of US\$ 5,000/- which must reach the Privatisation Commission by 15:00 hrs, Monday, 25th January 1999 at the address indicated below. Those expressing interest will be provided with detailed Pre-Qualification documents. For any queries in this regard please contact:

Mr. Naeem Iqbai - Sr. Consultant at Tel # (92-51) 9201955 or Mr Abdul Ahad Effendi - Consultant at Tel # (92-51) 9215466

Key Financial Figures of ABL are:

PKR million	Dec 1996 (audited)	Dec 1997 (audited)	June 1998 (unaudited)
Deposits	55,896	63,429	72,368
Advances	32,766	35,231	39,514
Total Assets	63,439	72,403	82,904

The consortium of ABN AMRO BANK NV and Khadim Ali Shah Bukhari & Co. Ltd.is Financial

This EOI is not intended to be nor should it be construed as; (a) any offer or invitation to acquire any securities of ABL; and (b) any representations for warranty, express or implied, with respect to any statement made herein.



Mr. Ahmad Waqar, Joint Secretary
Privatisation Commission Government of Pakistan

tution Avenue, EAC Building, islamsbed, Pakistan Tel # (92-51) 9205148, Fax # (92-51) 920 3078.

Nuclear fallout

Frederick Studemann on the dispute over energy policy that threatens to split Germany's red-green coalition government

uclear waste from atomic power stations has a half-life of 10,000 years or more. Against this timespan, the row within the German government over whether to decommission the country's 19 nuclear reactors within a matter of years or over sev-

eral decades appears as trivial as the blinking of an eye. Yet the precise timetable and terms of decommissioning have sparked the most serious row within Germany's red-green coalition since it came to power in October, Next week, Chancellor Gerhard Schröder's Social Democrats (SPD) and their Green partners meet in Berlin for talks aimed at preventing a disagreement over

energy policy becoming grounds for divorce. For the Greens, a movement born out of the antinuclear demonstrations of the 1970s and 1980s, the need to phase out nuclear energy is an article of faith: it was the principal condition for joining Mr Schröder's gov-

Energy policy was therefore always going to be a point of tension between the coalition partners. But nobody could have guessed how rapidly the fault-lines would be exposed. The fallout, however, goes

far beyond domestic politics. German energy companies have important contracts to French and British power plants. The contracts are guaranteed by the German government and some are understood to last well into the first decade of the next century.

The radical changes planned for Germany's energy policy therefore hreaten to damage relations with important European partners. It could prove to be an unwelcome diversion for Mr Schröder as he begins Germany's presidency of the

The dispute between the coalition partners involves differing interpretations of the planned two-stage process for scrapping nuclear

First, the country's auclear energy law was to be revised and a legal frame-work established for with-the threat to jobs posed by the go

مكذامن الأحل

drawal. This was to be fol- to finance social security The chancellor is already lowed by "consensus talks" spending. The chancellor is already furious with Mr Trittin for between government and industry, due to start later this month, to agree a timetable for decommissioning "This is proving a further turn-off for the whole investnuclear reactors. Jürgen Trittin, the Green ment community," says one environment minister, inter-

preted the two-stage plan as a licence to rewrite Germany's nuclear energy law. In his draft bill, which Mr Trittin wants to present to parliament within the next month, the environment minister not only underscores Germany's formal commitment to abandoning nuclear energy but also seeks to enshrine in law an would result from the enviend to the reprocessing of ronment ministers plans. It spent nuclear fuel. has also begun to enlist the

Mr Trittin also wants to support of its allies in the increase the compulsory insurance cover for nuclear reactors ten-fold, from DM500m (£176m) to DM5bn, legislate for tighter security checks, and shift the burden of proof for possible health risks to plant operators. Finally, he wants to tax any reserves operators set aside

Prompted by the Greens, the government has committed itself to a reduction in energy consumption. To introduce a new "eco tax" on partners, he said. energy use in April, the proceeds of which will be used has Mr Schröder's backing.

decommissioning nuclear

German industrialists, not informing him of the strongly object to taxes that decision to sack the memraise their energy costs.

London-based energy ana-Mr Trittin's proposals have also outraged the nuclear industry. It says the environment minister wants to tie its hands before it enters into decommissioning talks with the government-The industry has issued dire warnings of the financial costs and job losses that

German cabinet. The most prominent of these is Werner Müller, economics minister, who is not a member of either governing party and was formerly an executive at Veba, one of the country's big energy

Mr Müller was clearly annoyed at being excluded from the revision of the nuclear energy law, and made clear that he believed Mr Trittin's proposals were too hasty. They also risked damaging relations with two achieve this, it plans to of Germany's key European

amages.
Analysts estimate the nuclear reprocessing con-The economics minister tracts are worth more than DM3bn a year. When Mr Schröder attended his first Franco-German summit in November, French concern over

Bonn's changing stance on nuclear energy was made abundantly clear. In response, Mr Schröder offered to set up a joint working group, to be staffed on the German side from the chancellor's office. Mr Schröder's sparring with Mr Trittin has a hint of

deja vu about it.

In the early 1990s, the two men worked together in the notoriously volatile government of Lower Saxony. Mr-Schröder was then the state premier and, then as now, the Greens were his coalition partners. There were many high profile clashes over environmental issues. Mostly, it was Mr Schröder who got his way. Eventually. though, Mr Schröder found it easier to govern Lower Saxony alone.



Changing portfolios

Major markets

markets.

market fixing, however, concerns

the US Federal Reserve. To con-

front a potential systemic threat

posed by the troubled LTCM

hedge fund, the Fed sponsored a

wider financial strains by reduc-

ing interest rates no less than

three times. Hence the equity

dramatically across the globe.

There was an unprecedented

ries risks. If central bankers

they bubble, there is a destabilis-

ing asymmetry. Investors assume

The paradox, as Andrew Smith-

television channel. What odds on

the start of another Drabinsky

Chris Gent, the boss of UK

Vodafone, is a cricket fanatic.

watching England's dismal Ashes

defeat against Australia has also

been keeping his eye on the ball

Communications from under Bell Atlantic's nose; success would

cement his own reputation as a

Since Gent took up the chief

impressed with his leadership as

with Vodafone's famously lavish

1996. Gent, with his bright ideas

and braces to match, has been

Vodafone has dialled AirTouch's

number. The pair tried to get

together 18 months ago, but

executive's mantle in 1996,

shareholders have been as

hospitality. The shares have

quadrupled since the end of

given much of the credit.

This isn't the first time

back home. Gent is trying to

snatch US group AirTouch

big hitter in world

telecommunications.

Ring my Bell

mobile phone company

But the man who's been

comeback?

bubbles.

market "melt up".

rescue; and it dealt with the

TILL LIDITOR vernment to come joining the euro

n important role to pla

d crime in the Balkans

FINANCIAL TIMES

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Wednesday January 6 1999

Trying times for **President Clinton**

and to the threat of political paralysis. The 106th Congress convenes today. On January 18 Bill Clinton is due to deliver his seventh address on the State of the Union. But, before all else. America's politicians must decide whether to banish the ghost of Monica Lewinsky.

As Mr Clinton confronts the prospect of an imminent trial in the Senate, we are little the wiser about the future of his presidency. True, some of the ugly partisan rancour that accompanied the pre-Christmas impeachment vote in the House of Representatives has lifted. The danger, though, is that it could easily be rekindled in a protracted and ultimately inconclusive struggle on the floor of the Senate.

What is needed now is a speedy agreement between Republicans and Democrats on the conduct of Mr Clinton's trial – and a similar consensus that the process be as expeditious as fairness allows.

The pre-Christmas vote in the House demands that due process be followed in the Senate. That in turn requires a public airing of the two articles of impeachment perjury and obstruction of justice – laid against Mr Clinton, It also presumes a considered assessment by the Senate of whether, if proved, these misdemeanours are sufficiently grave to warrant his removal

The Senate, though, has ample

scope to set its own rules. The Constitution prescribes only the broad framework for a trial. Within that, the format is decided by the Senate. And that institution cannot be blind to political reality. Mr Clinton can be removed only by a two-thirds majority. Barring further evidence of presidential wrongdoing that majority does not exist.

It is here that, as long as Mr Clinton shows suitable contrition, the bipartisan proposal under discussion in recent days offers an honourable compromise. This would provide for an abbreviated hearing lasting a few days followed by a "test" vote. The purpose would be to see against Mr Clinton were proven, there was a sufficient majority to convict him. Once this vote was taken, the Senate would decide whether to press on with a full trial or, more likely, opt for a motion of censure.

The attraction is obvious. Neither Mr Clinton, nor Republicans, nor, and this above all, the US political process would be served by an acrimonious trial destined to end in acquittal.

More importantly, an early vote would see the Senate address from the outset the core issue in this sorry saga. In the end, it is about proportionality. Mr Clinton lied about his relationship with Ms Lewinsky. But is that sufficient cause to depose

Bonn's dilemma

for the new German government. as it takes over the presidency of six months. But it could turn out to farm spending, which still conto be the least of its problems. Getting agreement on the financial package known as Agenda 2000 that includes both new farm reforms and a deal on national contributions to the EU budget is big farm sectors. Yet every time likely to prove a much tougher reform of the common agricul-

Germany is a big part of the fiercest opponents. problem, as well as being The new coalition insists that all the other member states will have to pay more than they might have done. For a country like Spain, with per capita gross domestic product well below Ger-

many's, that is hard to swallow. In previous difficult EU budget negotiations, when deadlock loomed, Germany simply agreed to pay more. This time, that solubegan the battle to cut the net tighten their belts, he will also contribution, and Mr Schröder have to compromise.

Ensuring a smooth launch of the cannot be seen to be less tough, expecially at a time of continuing especially at a time of continuing budget stringency at home.

But Germany's position is also the European Union for the next complicated by its own attitude sumes almost 50 per cent of the Brussels budget. It is the most important factor distorting the distribution of EU expenditure, in favour of those countries with tural policy has been attempted, The trouble for Bonn is that Germany has been among the

while it occupies the EU chair. be different. Both Social Demo-For the new government, like the crats and Greens are inclined to old, is calling for a cut in its cut back farm subsidies, and the hefty €11bn net contribution to Bavarian farm lobby is no longer the Brussels budget - a drain on represented in government. But the German exchequer far larger it may not be that simple. Mr than that on any other member Schröder's own bome state of state. If Germany pays less, then Lower Saxony also boasts an important farming industry, and that is where his agriculture minister hails from.

If Germany is to broker a deal on future financing, then it must have a coherent EU policy itself. That certainly means a willingness to see real cuts in farm subsidies. Simply switching such subsidies from the Brussels budtion is no longer on the table. It get to national spending is not is not just that Chancellor Schröenough, even if it does help der lacks the strategic European reduce Germany's net contribuvision of his predecessor, Helmut tion. If Mr Schröder hopes to per-Kohl. Mr Kohl's government suade other member states to

New world disorder

After last year's turmoil, the portfolio investment game has changed, says John Plender. The old rules for diversification and optimal allocation of resources no longer apply

Nikkei 225 Average Dax

ince last July the markets have melted down and melted back up again. But in the intervening period, the rules of the portfolio investment game and of global finance have changed irrevocably. As the dust clears after the twin shocks of the Russian default and the rescue of John Meriwether's Long-Term Capital Management hedge fund, what conclusions can be drawn about the new financial landscape?

Before the Asian crisis, it was still just about possible for a pension fund manager to believe in an orderly financial world where unrestricted capital flows promoted an efficient allocation of international diversification held that investors could reduce nortfolio risk by exporting capital to emerging markets. The interna-tional bail-out of Mexico in 1995 provided a practical prop to the

academic theory. Belief in this orderly world was shattered first by the sheer size of the outflows of capital from the troubled Asian economies. In the extreme case of Indonesia the swing amounted to 18 per cent of gross domestic product. This volatility inflicted savage deflation on the countries concerned.

Then the Russian default on August 17 dispelled the notion that there was a reliable safety net for investors in emerging markets. The credibility of the International Monetary Fund was dented. In the resulting turmoil. which contributed to LTCM's woes, emerging markets failed to demonstrate the risk-reducing properties promised by academic theorists. Contagion ruled and markets moved in lock-step.

The first casualty of these upheavals has thus been the theory of international diversification, which was shown definitively, though not for the first time, to be useless in a bear

As the US economist Henry Kaufman puts it, technology and communication networks have reached the point where "we're all the same, we all talk to each other and we all have the same view - the arithmetic that purportedly proves that diversification lowers portfolio risk is based on assumptions that go out the window in periods of contagion". Moreover, academics have usually expounded the theory exclu-

sively in terms of correlation coefficients across markets, and of market risk and return, without reference to the wider political, economic or corporate governance context. Yet the wider context goes a

terparts is now close to the high-stepped back from making marest recorded. Especially significant has been

the tendency to impose capital controls or intervene directly in dash for liquidity. stock markets, as in Malaysia and Hong Kong. The political naivety of assuming that Asians would make an uncomplaining but fail to restrain them when contribution to western pensions has been exposed.

None of this will put an end to the existence of a continuing informed pursuit of value in overseas markets seems likely.

That said, the more striking ers of investment advisers been the extent to which the while central bankers worry crisis has gone away. It still For when volatility increases, authorities in the developed about the risks of over-valued afflicts the troubled Asian modern risk control requires

world have been bent on rigging markets, stockbrokers think the overvaluation is justified by lack The most blatant case is Japan of risk. Both cannot be right; and where the public sector has, until history is on the side of the cenrecently, bought about a third of tral bankers. Yet they remain

all government bond issues. An reluctant to prick bubbles. excess of supply, combined with This is not the only sense in a reduced ability by the public which markets have become a sector to absorb more bonds, has potential source of instability. In burst a bubble and turned tradthe US the stock market is now a ing in the Japanese government's crucial determinant of growth in IOUs into one of the world's most the real economy. The decisions of American consumers, who are Such a market turning point, also the chief locomotive for especially in the world's largest global demand, are driven by creditor country, could well have wealth effects: unrealised capital a disruptive impact on global gains provide the confidence and canital flows in coming months collateral for borrowing and The more important case of

> is not to stall. Any stalling would rebound on the markets. changing in character, as well as

stems from over-exuberant lend- to the hilt to speculate as well as ing by banks, often on the basis The Fed could argue that nonof inflated property collateral and long way to explain why risk pre- intervention might have had cat- inadequate appraisal of future ties accounted for 41 per cent of required to find the solution on that score, things will at last | miums in emerging markets astrophic consequences. After the cash flow But banking activity is the cross-border claims of devel- clear that prompt action by the the correlation between the demand for the securities of all kets. Over the past 10 years, for Almost 70 per cent of the \$101bn ing for global equities. The snag behaviour of emerging markets but the best names in the market example, non-financial corporate growth of such claims in the secilis that the Fed's actions may and their developed world coun- completely dried up. Dealers borrowers in the US raised a net ond quarter of 1998 took the form bave ensured more market insta-\$785bn in the form of bonds - of securities deals. kets and credit spreads widened three times the amount such

> Collapses in securities markets are, at the same time, posing Yet market intervention cargreater and more complex systemic threats. The 1987 stock underpin markets when they fall. market crash required an immediate monetary policy response. The Mexican bond market crisis in 1994 prompted a US-led international rescue. And the global global investing. But in future, a safety net and take on greater turmoil last year, covering a more pragmatic and politically speculative risks, leading to more range of financial markets, has the markets' slide last year fronting these market strains, the brought forth monetary easing in

the US and Europe. This is not to say that the confeature of the past 12 months has Smithers & Co points out, is that ventional property-based banking etary trading positions.

spending. It follows that US equities cannot stand still; they have to go on rising if the US economy

Meanwhile, financial crises are becoming more complex.

companies borrowed from banks.

economies; in so far as the developed world's banks have lent write down securities and trading there, they have suffered a property bust at one remove. Nor, if are then forced, under the Basle monetary policy remains loose in the US, is it difficult to imagine reduce their balance sheet levererty could bring an end to this

long business cycle. Yet the securities markets are set over the long run, to become the more important focus of financial crises. And, to quote Mr Kaufman again, such crises pose difficulties for central bankers, who are more comfortable dealing with straightforward bank lending than a hotch-potch of instruments, markets, trading methods and global linkages. Everything in markets moves

more quickly than in banking. And volatility has been greatly increased by the growing number of leveraged investors - banks that engage in proprietary trad-A conventional financial crisis ing and hedge funds that borrow

At the end of last June, securi-

As the Bank for International terly review, this "might impair hard to foresee circumstances, the ability of banks to fulfil their for example, where a dollar slide contraction".

Part of the problem is that the regulatory system forces banks to contribute to market volatility. Indeed, the awesome nature of revealed what can happen when the world's biggest banks are forced to unwind their propri-

positions to market values. They capital adequacy regime, to and Peter Garber of Deutsche Bank have put it, modern risk control methods "are liquidity hungry". This leads to contagion as more liquid securities are sold

to cope with capital strains. The strain may be exacerbated where credit rating agencies belatedly cut ratings. Indexed funds then dump securities, reinforcing the pro-cyclical bias of the system. And, of course, a market slide causes banks to call in loans from hedge funds as collateral shrinks.

The overall message is that liberalisation has unleashed exceptionally powerful and unpredictable forces into the global markets. And the regulatory attempt to control these forces

But amid the instability, it is bility in future.

The arrival of the euro could Settlements remarks in its quar- add to the difficulties. It is not traditional role of stabilising against the euro could precipitate financial flows in periods of a Wall Street collapse. Nor is it financial volatility or liquidity clear that equity market valuations have fully adjusted from a disinflationary world to one in

genuine deflation. What is clear is that in conworld economy in 1999 will be unusually dependent on good policy from central bankers and politicians. They will need more than a little luck to see us safely through.

Need for cut

official interest rates into a new remain too high. perspective. Why is the Bank of England's repo rate (at 6% per mate, the long-term real rate of cent) still more than twice the interest on risk-free assets is

European Central Bank? improvement in orders, expectathat growth for the whole economy will fall well below its historic trend this year.

Meanwhile a combination of ECB's current rate of 3 per cent, the high value of sterling and or the US Federal Reserve's rate falling world commodity prices of 4% per cent, such estimates do has strongly offset domestically generated inflation. The Treasury's latest report on the consensus of outside forecasts suggests that by the end of this year, inflation will be significantly below the Government's target of 2% per cent.

Such were the arguments that persuaded the Bank's Monetary Folicy Committee to cut its rate by ½ percentage point to 6½ per cent at its last meeting in Decem- a collapse in asset prices or a ber. Indeed, its discussion then revival of the global financial cricentred on whether to make a sis.

larger cut.

The birth of the euro as a robust cial crisis, there are other reacurrency throws the UK's high sons for thinking UK rates

According to the Bank's estirate now administered by the between 2 per cent and 4 per cent. If inflation is to be held at Although the latest survey of 2% per cent, this would imply UK manufacturers shows a slight that a "neutral" official interest rate might be about 5% per cent. tions are still depressed under JP Morgan, the US investment the weight of high interest rates bank, estimates from data going and a persistently strong pound. back to 1830 that a "neutral" offi-Unemployment has started to cial rate could be even less, at rise and most forecasters predict about 2 per cent in real terms. This would imply that UK rates should stabilise at about 41/2 per cent. In comparison with the

> not look implausible. The question for the MPC at its meeting today and tomorrow is therefore whether there is any risk that a further move towards a more neutral stance might stoke up the economy too much this year or next. The inflationary effects, particularly if sterling were to collapse, might then be worrying. But there are risks on the other side, for example from

For the present, the risks of corporate development chief Apart from comparisons with rising unemployment and an Graham Orr describes Drabinsky the euro-zone and the weaker undershoot of inflation predomioutlook for the UK and the world nate. The MPC should continue economies since last year's finan on its downward path.

Drabinsky back in the running

Garth Drabinsky may be a rank outsider following the collapse of his theatre company Livent, but the flamboyant Canadian is still a contender. The impresario has just been hired to help develop an entertainment complex at the famous Santa Anita race track

near Los Angeles. The man backing Drabinsky is Frank Stronach, the Austrian-born machinist who built the Canadian automotive components giant Magna International. While Magna has been hugely profitable, Stronach is evidently tiring of making bumpers and seat belts. Last year he bought Santa Anita and 300 acres of land for \$126m. Now he plans, with Drabinsky as a consultant, to turn it into an entertainment mecca. While Drabinsky faces

awkward questions about his part in Livent's collapse, he's shown himself to be a tenacious fighter. Before Livent, he built Cineplex Odeon into a top cinema chain - until he was forced out by shareholders.

The Stronach camp certainly retains faith in the man who went on to create North America's top live theatre company. Magna's - just the kind to have around if you're planning an entertainment

Stronach has already said that Gent will be hoping for better he plans to spin off a separate non-automotive business that luck than England's forlorn will, among other things, look at building a theme park and race track near Vienna and develop a Dates of wrath

OBSERVER

European sports and gambling

If you're planning to visit the UK during 1999, first get hold of the Awareness Campaign Register. This handy little document should help you avoid turning up at Heathrow to find National Depression Day - or worse - in full swing. With almost 400 campaigns

made them think again. Now

taking place in the UK over the coming year, many of them attached to fund-raising initiatives, the register's organisers reckon it's about time some order was injected into chaos. At present, despite strenuous efforts to avoid campaigns bumping into each other, they can clash; the public gets confused, irritated and eventually apathetic.

The idea is that everyone gets

their act together and everyone gets their day or week of fame. For those who've already booked a room at the Dorchester, here are a few campaigns already on the list. Next week sees Winter Gourmet Rhubarb Day, the end of the month brings National Gargling Week and National Doughnut Day falls towards the end of February.

On March 5 you can participate in World Phone In couldn't agree how to make a Sick Day and Real Nappy Week match. Bell Atlantic's interest has follows a couple of weeks later. July brings National Kissing Day but Observer confidently predicts plenty of monkeying around in Orang-utan Awareness Week.

Monkey business

On the subject of anthropoid apes, you've got to feel for Monika and Rabu, the orang-utans in St Petersburg zoo. As well as having to put up with the chilly Russian winter none too comfy despite those shaggy red coats - the couple have also been subjected to the modern menace of television.

A TV was rigged up outside Monika and Rabu's cage after they started to neglect their baby Ramon. All part of a plan to teach them how to be good parents by showing videos of model morns and pops at work. The idea seemed to be working - until Rabu became so engrossed in the tube that he started to ignore his mate. She, in turn, fell into a depressed

Zoo director Ivan Korneyev says the keepers now plan to reduce the amount ot time Ramon spends in front of the box to keep the family together though he insists that television is the way forward for all three orang-utans. "Our plan for Monika's education includes watching videos demonstrating natural monkey family life," he says. And Sesame Street for the neglected nipper?

Ginancial Times

100 years ago

The Telephone Scandal
The Select Committee of the House of Commons on that the existing service is not of benefit to the country, and is not likely to be "as long as the present practical monopoly in the hands of a private company shall continue." It is necessary to get these facts well home to appreciate the sublime audacity of the National Telephone Company as shown in the Bill in which it proposes to dissolve the present Company and re-incorporate it. In other words Parliament is being asked to sanction a monopoly which its own Committee denounced as contrary to the interests of the country.

50 years ago Truman's New Deal

President Truman outlined a radical programme of social reform and greatly increased economic controls in his "State of the Nation" message to Congress yesterday. His recommendations go far beyond even the "New Deal" programme of the late President Roosevelt. The President proposes Increased taxation to fall mainly on corporate profits and the middle and upper income



WEDNESDAY JANUARY 6 1999

THE LEX COLUMN

Mobile combat

Vodafone's attempt to muscle in on Bell Atlantic's takeover of AirTouch should be taken seriously. Vodafone and AirTouch would form the first global cellular phone group, with coverage in 28 countries spread across five continents. The combination would become the first choice for new licences and partnerships. And the fit is excellent, particularly in Europe where Vodafone's northern strength and Air-Touch's southern presence would create a seamless footprint. They compete only in Germany, where the UK group would like to shed its involvement in Veba's lagging E-Plus franchise and join AirTouch and Mannesmann's successful D-2. The lack of overlap means there would be few hard cost savings. But the two would make much of softer synergies from cross-selling and joint technological development.

Vodafone's other advantage is its storming share price. This looks like a replay of the BT/WorldCom bid battle for MCI. except this time the UK company has the high-octane stock: Vodafone is trading on 25 times enterprise value to estimated 1999 earnings before interest, tax, depreciation and amortisation compared with 16 times for AirTouch. By using stock, Vodafone can thus offer AirTouch holders a juicy premium. Its opening shot, at sell over the internet. around \$55bn, puts Bell Atlantic's proposed \$45bn to shame.

Vodafone is also surely aware that if it does not succeed as a predator, it may become a target, as the last big independent mobile phone group. That can only strengthen its ardour. And with other bidders sniffing around, the battle for Air- hang on to. Touch is just beginning.

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How a company as conservative as SAP allowed its salesforce to get over-excited about prospects in Japan, of all places, is baffling. The DM200m shortfall in software sales means 1998 pre-tax profits will be up 15 per cent compared with earlier estimates of 30-35 per cent. Information technology investors burned by the profits warning from rival Baan may sense dėjà vu. But SAP's troubles are not as rose sharply yesterday. serious. Sales ex-Japan have met forecasts. SAP is the industry heavyweight, capitalised at €32bn, with the biggest market share and costs under better control.

Japan - accounting for some 6 per cent

of sales - is not the main worry. The risk now is of a clampdown on IT spending, as customers concentrate on checking systems for the millennium. SAP's sales should still grow by 20-25 per cent, but the key will be how much of that growth comes from higher-margin software products rather than services. Longer term. the question is how well SAP moves from selling back-office to front-office software, such as applications to help companies

SAP has the technology to succeed, but its business model may have to cope with smaller contracts.

Even after yesterday's tumble, SAP shares trade at a substantial premium to rivals like PeopleSoft and Oracle, and further volatility looms. But this is a stock to

European carmakers

Executives at the motor industry's annual gathering in Detroit should party while they can. If Ford's Alex Trotman is right, only five of the world's 20-odd carmakers will be around 10 years hence. Indeed, DaimlerChrysler's Robert Eaton expects a European merger within three months. Unsurprisingly, shares in the likeliest candidates - Sweden's Volvo, Italy's Flat and Germany's BMW - all

But it is worth remembering that, aside from Daimler and Volkswagen, these companies' relatively small market values all seven Europeans combined are worth all-French Sanofi/Synthélabo tie-up, but

their continuing political importance as huge employers and symbols of national virility. Consequently, the deals remain bard to construct, as the lengthening passage of time since DaimlerChrysler's merger announcement attests. Leftish governments focused on unemployment are unlikely to support in-market mergers, such as the logical one between

French carmakers Renault and Peugeot. Given also the closely held shares in some groups - the French state, for example, holds 44 per cent of Renault and the Quandt family almost half of BMW - the number of deliverable deals worth doing is actually very small. A Fiat/Volvo link stands out as one. But if consolidation of the sector cannot involve eliminating overlaps and overcapacity, it is hard to see what is in it for investors.

Pharmaceuticals

One cynical interpretation of the proposed Hoechst/Rhône-Poulenc merger was that it aimed to create the first drugs giant within the euro-zone, and attract investors on that simplistic basis. But the idea that investors will wear a currencybased straitjacket in assessing the sector looks misplaced. In drugs, investors have more important yardsticks to apply. These include a company's drugs pipeline and its exposure to the US, where the market is growing at 10 per cent a year compared with Europe's 6 per cent.

The highest rated European companies are those that most resemble their US brethren. Glaxo Wellcome has nearly half its sales there. The proposed Astra Zeneca combination claims to have the second biggest US sales force. The European market is seen as second best not just on its growth rate but because of pricing restrictions and the bar to advertising.

These factors may inhibit transatlantic moves by US companies, leaving European companies to press on with regional consolidation. They are right to do so. Drug approvals have already gone pan-European. Pricing transparency comes next. This steady harmonisation will add to companies' existing urge to pool costly research and development and marketing budgets. Hoechst/Rhône-Poulenc may look a clumsy response, compared with the

US fighters launch missile attacks on Iraqi aircraft

By Stephen Fidler in Washington and Roula Khalaf in Baghdad

US warplanes fired missiles at Iraqi jets yesterday in the first air-to-air confrontation between the two countries in six years, as Saddam Hussein, the Iraqi president, called on Arabs to overthrow their govern-

US officials said the missiles fired by the US aircraft - two carrierbased F-14 navy jets and two landbased F-15 air force strike aircraft appeared to miss the Iraqi jets. But one crashed, apparently because it ran out of fuel. Iraq insisted that all its aircraft returned safely to base.

The aerial confrontation was the first since December 1992, and signalled a further step in Baghdad's campaign to focus international attention on the "no-fly" zones in the north and the south of the country, patrolled since 1991 by US, Brit-

ish and French aircraft. The no-fly zones are designed to protect Kurdish and Shia populations. The US argues that the patrols are justified by UN resolutions and will continue, but Baghdad says that they are an illegal violation of Iraqi

In two recent clashes following four days of US-British air and missile strikes last month, US aircraft fired on Iraqi anti-aircraft installations that officials said had threatened allied aircraft.

In yesterday's incident. US officials said the Iraqi aircraft did not attack the US jets.

Mr Saddam's speech, broadcast on Qatar's widely-seen Jazeera satellite TV channel, was his most forceful call so far for Arabs to revolt, and his most scathing attack on Arab

The speech, planned to be broadcast on Iraq's Army Day today, was apparently brought forward to coincide with the air clash with US aircraft which take off from bases in Kuwait and Saudi Arabla.

"Revolt and unseat those stooges, collaborators, throne dwarfs and cowards, revolt against those who

William Cohen (US defence secretary]," Mr Saddam said.

Mr Saddam has always tried to portray himself as the leader of the Arab nation and the successor to Gamal Abdel Nasser, the late Egyptian president and the only leader who was ever able to go above the heads of governments and speak directly to the Arab masses.

His speech comes as Ima tries to capitalise on the public protests that erupted in Arab capitals during the four days of US and British air raids

In Washington, James Rubin State Department spokesman, depicted both the breach of the nofly zones and the speech as a consequence of frustration the Iraqi leader felt at having failed to get sanctions lifted. "His lashing out is a result of his isolated condition," Mr Rubin said. He has no support in Arab countries or in the rest of the world and "he's acting out of frustration".

boast of friendship with the United Tariq Aziz on US strikes, Page 5

Philippines returns to bond market with \$750m offering

The Philippine government is to tap the international bond markets for up to \$750m this week in the first sovereign bond offering by a south east Asian government since the start of the Asian crisis in late 1997. The Japanese government will

also enable Thailand to return to the bond markets this month by providing guarantees for up to \$500m of Yen-denominated issues. The Philippine bond, which fol-

lows a \$1bn international offering by China last month, will be tracked closely by other Asian and Latin American governments as an indication of whether international appetite is returning for emerging market debt.

The Philippines postponed a planned \$1hn offering last September because there was no investor demand for sub-investment grade

debt in the fixed income markets. The planned issue, which follows a higher than the rates the Philippines said Mr Gray. Other Asian governwere used to before the crisis.

The average spread - or risk premium - on JP Morgan's emerging market debt index has fallen from about 1,200 basis points (1.2 percentage points) over US Treasury bonds to 1,060 basis points since the start of the week.

However, this is still much higher than the low point of 330 basis points in October 1997. The bond will be lead managed by JP Morgan, Morgan Stanley and Warburg Dillon

Richard Gray, chief emerging market economist at Bank of America. said the Philippine bond could open up the market for other borrowers. However, rapid improvement in the current account positions of most south east Asian economies and South Korea in the last few months meant less demand for foreign capital than before.

"Even if there is a strong improvement in investor psychology, there is mini-rally in emerging market bond not going to be a deluge of emerging prices, would be priced significantly market sovereign bonds in 1999,"

ments, including Thailand and Malaysia, want to establish new sovereign benchmarks so domestic companies and banks can access international capital markets. Many south east and east Asian

companies are unable to borrow from domestic banks. In addition, domestic interest rates in Asian currencies remain much higher than borrowing rates available in the foreign currency bond markets.

Separately, the Electricity Generating Authority of Thailand and other Thai entities are to take advantage of guarantees supplied by Japan's ministry of international trade and industry to issue up to \$500m worth of yen-denominated bonds this month.

Using a guarantee enables the borrower to achieve a higher credit rating and therefore a lower cost of funding. Malaysia has already availed itself of the Miti guarantee to issue a Y66.6bn bond last year.

less than two-thirds of Microsoft - belie CONTENTS

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Makers of new film A Civil Action, starring John Travolta, above, have

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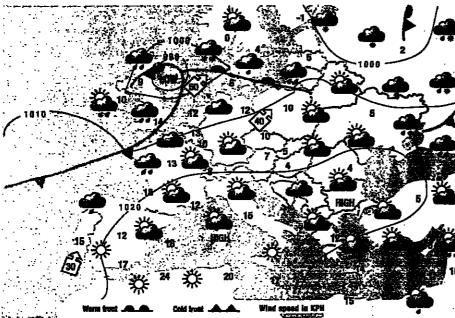
Allyllines bow to get stere prices and market

FT WEATHER GUIDE

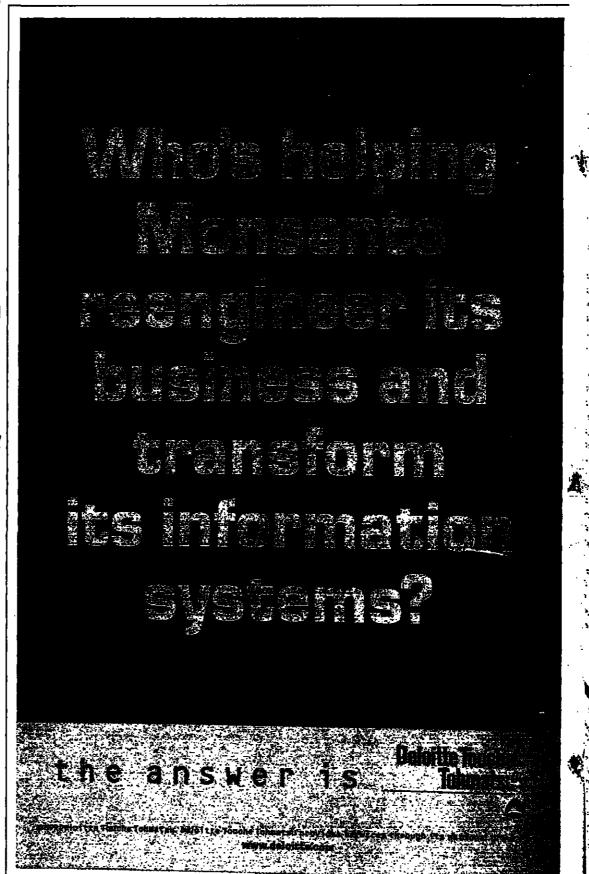
Europe today Northern Norway will have snow showers but the extreme south will Sweden will be mostly dry with some sun. The Low Countries, Sermany, Austria and Switzerland will have rain. Most of France will be dry and bright but Brittany will Maditerranean will be dry and sunny but there will be showers in

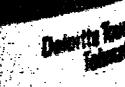
Five-day forecast

Western and central Europe will have heavy rain tomorrow. Scandiveekend. There will be showers in ranean will have thundery down



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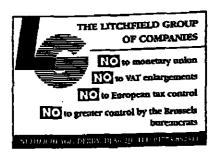




FINANCIAL TIMES

COMPANIES & MARKETS

WEDNESDAY JANUARY 6 1999



INSIDE

Vivendi issues bond in euros Vivendi, the French utility, launched the first bond issue of its type denominated in euros to raise up to €1.7bn (\$1.99bn). The issue, convertible into new or existing shares, is the second largest from a European issuer. Page 18

HP forms low-cost PC printer arm Hewlett-Packard, the world leader in inklet printing, has formed a new wholly-owned subsidiary to address the market for low-cost personal computer printers, while insulating its established printer business from the new lowmargin market segment. Page 16

Guotai eyes overseas expansion Guotal Securities, the state-backed securities house from Shanghai set to become China's largest stock brokerage when its merger with J&A Securities is concluded early this year, plans to become the nation's leading securities company abroad as well. Page 17

Brazil coffee exports in sharp rise Brazil and Colombia, the world's biggest and second biggest coffee producers respectively, posted strong rises in exports in November. However, central American exports dropped sharply. Commodities, Page 24

Abbot and ProSafe in link talks Abbot, the UK oil services group, and ProSafe, a Norwegian rival, said they were in merger dis-

platform drilling group, worth about £550m (\$918m) and listed in London. Page 19 CBOE to develop screen system The Chicago Board Options Exchange, the world's biggest options market, has said that it plans to develop a fully screen-based trading

cussions that would create the world's leading

system as a "hedge" against competition from automated rivals. Capital Markets, Page 22 IMF deal approval the key for Brazil



In December, the IMF led a rescue mission to bail out Brazil, a market investors have largely shunned since last April, with a \$41.5bn package. Shares fell by about a third in real terms last year. This year much will depend on the willingness of the congress to pass cost-cutting and tax-

raising measures that will enable the government of Fernando Cardoso (above) to meet IMF targets. Emerging Market Focus, Page 34

Seafood now Panama's top export Data show seafood overtaking bananes as Panama's top export earner. A banana production strike and more seafood owing to the El Niño weather system helped, but the situation really reflects banana sector stagnation and strong growth in shrimp. Commodities, Page 24

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Ford denies it plans to buy BMW or Honda

By Haig Simonlan in Detroit

Ford Motor, the US carmaker at the centre of speculation about a new wave of takeovers and alliances in the automotive industry, yesterday denied reports it was about to buy BMW and Honda. .

Jac Nasser, Ford chief executive, said in an interview the company was always on the look-out for suitable opportunities. But the latest reports came as a surprise to us. I guess we should be flattered,

Mr Nasser, who has largely steered Ford's revival in recent years, said the group was well placed to continue in its current form because of its broad brand and product portfolio and strong presence in the world's main automotive markets.

"We see anything of an acquisition nature as an opportunity rather than a neces-

tunity for us".

His remarks followed a day in which investors piled into the market after a news agency report about the supposed BMW and Honda deals. The German and Japanese groups joined Ford in firmly rejecting the speculation.

Mr Nasser confirmed that Ford had been in talks with Volvo, the Swedish group but denied that the discussions had involved a full scale merger. "We talk to them about all sorts of things - we'd like them to buy more parts from us - just as we talk to other car companies."

In Frankfurt, BMW shares shot up 11.5 per cent to a fourmonth high in early trading on speculation it might be a takeover target for Ford. But after a denial from the Munichbased group, the shares settled €8.50 higher at €699.

On the Milan stock exchange sity," he said. Any deal "would Fiat shares, which were briefly

In the six months to Septem-

ber, chemical plant orders

slumped 86 per cent compared

orders slid 43 per cent, from

Analysts said there was a

high risk of further profit

declines, given the state of the

Japanese and Asian econo-

mies, and MHI's reluctance to

to improve efficiency, and said

MHI needed to cut between 10

and 20 per cent of its 40,000

attack its high cost base.

Y105bn to Y59.6bn.

to £3.346 on rumours it was in merger talks with Volvo, while the Swedish carmaker's shares rose SKr12.50 to SKr212. Fiat declined to comment yesterday on the latest wave of merger

rumours. It is understood Volvo has also been in talks with Fiat and Volkswagen about possible co-operation in manufacturing and component sharing. Unlike BMW, Volvo has

declined to deny reports that it would consider a partnership. Mr Nasser said Ford had featured prominently in the latest round of speculation because of its high profitability, its well-publicised desire to grow and its multi-brand, multi-cultural structure, which showed it was capable of expanding. Additional reporting by Paul Betts in Milan and Tim Burt in

Japanese car sales, Page 6



Ford chief Jac Nasser: 'I guess we should be flattered, really' Picture AP

Japan's MHI warns of earnings tumble

By Alexandra Ramey in Tokyo

Mitsubishi Heavy Industries, Japan's largest machinery manufacturer, said yesterday that a collapse in orders for ships, chemical plants and industrial machinery as a result of continued economic weakness in Japan and Asia might force it to lower its earnings forecast for this year. Such a revision would be a

further blow to MHI, which had a sharp fall in profits last vear and saw unsecured long-term debt downgraded from Aa3 to A1 by Moody's, the US credit rating agency. MHI shares have fallen 33 per cent in the past year as

management's ability to cope with changes in the market. The shares slipped a further Y1 vesterday to Y429. The company has been hit by Japan's recession, which has lowered demand for

machinery as companies cut apital expenditure, and the its largest source of new expected after-tax earnings for

"MHI is a domestic-based company trying to compete with the likes of General Electric, ABB and Slemens," said Paula Sugawara, industry anainvestors lost confidence in lyst at Goldman Sachs in Tokyo. She noted that MHI's US and European rivals had expanded production overseas

The company said yesterday that some of its divisions may financial and economic crisis be generating significant in Asia, which has eliminated losses. It declined to identify them, but analysts said MHI had indicated that several pro-Last October MHI said it jects, probably in the power systems and machinery divisions, were incurring losses of

Y83.5bn (\$720m) to Y35bn, on By Paul Tayler in Losdon orders down 11 per cent to

Weak memory chip prices and overcapacity took their toll on the semiconductor industry again last year, with most of with the same period in the the biggest chipmakers hit by previous year, while ship severe revenue declines. according to figures published yesterday by Dataquest, the

Global revenues at seven of the top 11 semiconductor manufacturers fell by at least 14 per cent. Among top-tier man-ufacturers only the three European chip makers - Philips. STMicroelectronics and Siemens - and Intel, the industry leader, bucked the trend.

The biggest declines came at Japanese and Korean semiconductor manufacturers including Hitachi, NEC and Samsung, which are all heavily reliant on the volatile market for dynamic random access memory (D-Ram) chips. "Semiconductor vendors

see the back of 1998, a year programme manager for Dataquest's European semiconductors programme.

ing suffered its third bad year

Top 10 semiconductor groups by revenue

EUROPEAN GROUPS AND INTEL BUCK TREND OF FALLING REVENUES

Low prices hit chipmakers

A	ank	Company	1997	1998	1997-1998
1997	1996	•	Revenue	Revenue	Growth (%)
1	1	Intel	21,748	22,675	4.3
2	2	NEC	10,222	8,271	-19.1
3	3	Motorcia	8,067	4 6,918	-14.2
5	4	Tostábe	7,253	6,055	-16.5
4	5	Taxas Instraceouts	7,352	6,000	-18.4
7	6	Samsung	5,856	4,752	-18.9
6	7	Hitachi	6,298	4,649	-26.2
9	8	Philips	4,440	4,502	1.4
10	9	STMicroelectronics	4,019	4,300	7.0
12	10	Siemens	3,441	3,868	12.4
8	10	Fejitsu	4,522	3,886	-16.4

its head in previously profitable product segments, and the ramifications of the Asian financial crisis continued to be felt throughout the year."

Manufacturers estimate that world prices for D-Ram chips around the world are glad to fell by about 60 per cent in the 12 months to September 28 slated to be the worst since the 1998, after sharp price declines mid-eighties," said Joe D'Elia, over the previous two years. As a result, most manufac-

sures or postponed new invest-The D-Ram market is sail- ments. Texas Instruments sold ing in uncharted waters, hav- most of its D-Ram operations to Micron Technology. Sie-

in a row, overcapacity reared mens announced plans to spin off its semiconductor business through a public offering.

Dataquest estimates that semiconductor revenues at Intel, which supplies most of SAP. Mr Kagermann estimated the microprocessors used in up to two-thirds of SAP's outpersonal computers, grew by 4.3 per cent to \$22.6bn. Intel's semiconductor revenue is now 2.7 times that of NEC of Japan. its nearest rival.

However, the strongest perturers announced plant clo- formance came from the European chip makers, with the three European vendors making it into the worldwide top 10 for the first time.

SAP shares fall after company reveals sales slip

By Tony Barber in Frankfurt

SAP, the German software group that is a bellwether for Europe's technology sector, saw its shares tumble yesterday after it said sales problems in Japan caused pre-tax profits last year to fall well below company (orecasts.

The group, the world's largest provider of business man-agement software and one of the German stock market's star performers of the 1990s, said the difficulties in Japan had cost it DM200m (\$119.7m) in earnings and would result in a fourth-quarter loss in the country, the company's third most important market

Coupled with disappointing results in Russia, where SAP said the financial crisis had cost it DM40m, the news from Japan underlined the vulnerability of European exporters to the troubles in Asia and other emerging markets.

SAP shares, down more than 20 per cent in early trade, recovered but still closed €59, or 15.2 per cent, lower on the day at €328.

Last October SAP was still forecasting a 30-35 per cent increase in pre-tax profits for 1998. Yesterday, without giving precise figures, the company said profits would grow by 15 per cent.

SAP said group sales had risen by 40 per cent to DM8.4bn last year, but anticipated sales growth in 1999 of only 20 to 25 per cent.

Henning Kagermann, cochief executive, said the company did not expect a short-term improvement in Japan and was restructuring its sales there, though without laying off staff.

He said the main problem towards the end of 1998 had been the reluctance of Japanese executives, made cautious by the nation's economic downturn, to give final approval to sales deals with standing orders in Japan had been postponed in this way.

Technology specialists said SAP's immediate prospects might be affected by a slow-down in business software orders that some analysts are anticipating for this year.

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BARRY RILEY

tumble 59 per cent, from Y10bn or more this year.

Rethinking euro spreads

14,15 Sovereign credit ratings have assumed a new prominence. Late last year, Moody's downgraded Japan and Fitch IBCA downgraded Belgium (though it upgraded Ireland). Now the euro-denominated government bond market provides a new, transparent arena to demonstrate the

perceived creditworthiness of the euro-zone's governments. The euro-zone's government debt market is the world's biggest, according to Barclays Capital's latest emu facts book It accounts for 35 per cent of the developed world's marketable government debt

against 33 per cent for the US.

In the past, fund managers have traded this European mountain of bonds largely on the basis of economic and political analysis (focused as a view on future inflation), but in a single currency zone only credit ratings matter. And whereas inflation was a big game, resulting in spreads of hundreds of basis points, and enormous convergence or divergence opportunities, sovereign credit spreads are normally fairly trivial. True, at

periods of strained finances, it could be a very different matter, but some 20 basis points currently covers the euro-zone field in terms of ten-year benchmark yields. Credit rating is a matter of opinion. Only four euro-zone countries - Austria, France, Germany and the Netherlands - are unanimously rated triple-A, and Italy, the most

of the eleven. Market yields also depend on factors such as liquidity (which penalises smaller economies) and institutional distortions. A new analysis by Paul Donovan, of Warburg Dillon

Read, of the euro-zone's creditworthiness attempts to take some of the subjectiveness out of credit scoring. He looks at seven

factors, of which the most important are the economic growth rate, annual deficits, mulated indebtedness and tax raising efficiency. A high growth rate will rapidly pull economies out of financial trouble, stagnation

will tend to push them deeper into it. The stability pact will supposedly keep debt problems under control, but its effects could easily turn out to be verse. And, of course, Italy and Belgium were allowed into the single currency with seriously over-the-limit indebtedness levels to start with. The interesting change in perception over the past year or so has been that the euro will not necessarily favour the core countries like

Germany and France but, rather, some of the smaller, fringe economies. This may be a cyclical effect, of course. But Mr Donovan thinks the economies will continue to diverge, and the structural rigidities of the monetary union will mean that credit spreads tend to widen over time. Certainly, Germany has been squeating noisily about

tax as its new government

is interesting, too, that France is continuing to make its bond market more investor-friendly with further measures announced this week, and it has been the first in the euro-zone to diversify into inflation-protected bonds. Political prestige, after all, is

involved in these spreads. France's high rating by the market - its 10-year benchmark bond actually yields a basis point or two le than Germany's - is one of the main anomalies, according to Warburg Dillon Read, which is concerned about structural problems in the French economy. Elsewhere, Italy is also overrated but the charms of the Netherlands (which tops this particular creditworthiness league table)

are said to be underpriced although liquidity factors play a part here. Naturally, it may take the new market a while to settle down. Trading government bonds within the euro-zone,

anyway, will be a comparatively dull business. The bigger game, investment banks hope, will be the growth in corporate and other credit

Barclays Capital notes that the curo-zone's combined bank assets are 2.4 times as large as those in the US, while the region's corporate bond issuance is much smaller. Only 68 corporates have long-term ratings from Standard & Poor's compared with 2.461 in the US.

We take great pleasure in announcing the following changes in our firm; JOSEPH BURRELLO Manager, NASDAQ Trading and that the following have been invited to join the firm as principals: IOHN A. BARONE IAN M. LARKIN Institutional Equity Trading TERREL G. BRESSLER Investment Management

Debt Finance GEORGE K. BUSSE Institutional Equity Sales

BRENT W. FELITTO Corporate Finance

JOHN A. FORDHAM Corporate Finance - London RICHARD FRADIN

Research W. GEORGE GREIG

Investment Management CHARLES J. KRAFT III

Institutional Equity Sales

Private Equity GRETCHEN C. LASH

KELLY J. MARTIN Corporate Finance

Institutional Equity Sales IOHN F. O'TOOLE Institutional Equity Sales

COREY A. MINTURN

PETER J. RAPHAEL Debt Finance

THOMAS J. SALVINO Private Investor

MICHELLE R. SEITZ Investment Management

William Blair & Company, L.L.C.

BENNET WANG

Municipal Bonds

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January 1999

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COMPANIES & FINANCE: THE AMERICAS

ONLINE TRADING BOOK AND MUSIC RETAILER ADDS 1m CUSTOMERS DURING HOLIDAY SEASON

mazon.com warns on loss despite revenue rise

Amazon.com, the Seattle based online book and music retailer, previewed its holiday sales and margin performance yesterday. Saying that revenues had nearly quadrupled to \$250m in the fourth quarter but also warning analysts not to expect a lower quarterly loss as a result of the sales rise.

Amazon.com during the holiday shopping season.

The company also cautioned that the rise in seasonal sales "will not translate into correspondingly lower net losses in the fourth quarter". The news led some analysts to wonder how deeply Amazon.com's bottom line would be hit by However, it added that new lines of business as well

"The wild card is aggres-Volpe Brown Whelan in San Francisco. "It's not clear if the company priced lower to considerable lead against triggered by industry andnoble.com and bortrends." He added that the

Communications world

online and traditional com- sus estimate was unchanged petitors that have entered its at a loss of 18 cents for the

quarter. sive pricing," said Derek and music retail market has well ahead of the field due Brown, online analyst at picked up considerably in largely to the valuation rift recent months, leading many to wonder if Amazon.com's analyst community. lure customers in or if it was such online rivals as barnes- stock was traded at about holiday sales.

ers had shopped on brought on by a raft of strong and that the consen- profit potential and greater the shares rocketing higher. competition has gone to close up \$46 in a single unheeded by investors. In day.

the stock has set off in the In mid-December when the

\$240 a share. CIBC Oppenders.com can be sustained. heimer said its target price

That was followed soon Competition in the book stocks, Amazon.com stands after by a target price of \$50 and year-end results this issued by an analyst at Merrill Lynch, which did little to cool off demand for the shares as investors loaded up in anticipation of strong

on [financial] numbers, it's at \$127%.

aggressive pricing revenue figure was very The threat of a thinning was \$400, an event that sent trading on avarice," said bught on by a raft of strong and that the consen- profit potential and greater the shares rocketing higher. Rick Berry, analyst at the shares rocketing higher.

Amazon.com is expected to release its full fourth-quarter month. The company's 3-for-1 stock split took effect yesterday, helping to draw more buyers to the shares. initially the shares were down, but by early afternoon "The stock's not trading they had rebounded, up \$9;

yesterday after Jack Grub-

target to \$100.

man, an analyst at Salomon

However, Mr Ebbers may

not yet feel the need to jump

into the mobile business,

about one-third of total oper-

cession has been Vodafone's

introduce the "pre-paid" tar-

from the necessity of a con-

The most spectacular con-

ating profits.

However, demand for low-

Bv cannibalisation

Apollo, to be based in San cost structure, geared to the low profit margins of the Antonio Perez. HP vice president and general manager of the inkjet products group.

rely heavily upon third parties for manufacturing and distribution and work can be bundled with PCs.

These products will carry the Apollo brand name with a tag line: "Powered by HP

one of the first operators to iffs which free customers ments of the computer market, Mr Perez said.

and a rental charge. The result was a spectacular 933,000 net new subscribalmost doubling Mr Gent's

He clearly relishes the idea

in San Francisco

widely used with home computers, is growing rapidly, HP said printers selling for less than \$100 represented about 5 per cent of total worldwide unit sales, or about 1.5m units last year. By 2000, the company expects this category to

forming Apollo

closely with PC manufacturers and retailers to create

inkjet technology".

Creating a "second brand" for lower-cost products is well known in other indusnew approach for HP and largely unproven in the

Separately, HP said yesterday it had reached an agreement with Xerox to settle a trademark infringement dispute between the companies. The agreement settles a lawsuit filed by HP 15 months ago which alleged that Xerox was abusing its trac marks on remanufactured toner cartridges for use with HP laser printers. Xerox

HP forms low-cost printer division By Louise Kehoe

سن سري

مانة مد صبح بان

Hewlett-Packard has formed a wholly-owned subsidiary to address the growing mar. ket for low-cost personal computer printers, while insulating its established printer business from the new low-margin segment.

The world leader in inkjet printing. HP has so far not participated in the "ultra low-end" market for printers selling in the US for under

cost machines, which are rise to 11 per cent of the printer market, or about 5m

Consumer Products, the new subsidiary, HP aims to take advantage of this growing demand while avoiding its established printer business.

Diego, will have just 10 employees and a very low low-end market, said The new business unit will

customised products which

tries such as hotels and retailing. However, it is a high-technology sector. If successful in the printer market, Apollo might eventually branch into other seg-

tract with a service provider

agreed to remove HP trademarks from its packaging. Chest drug go-ahead

FH Faulding the Australian to September of about pharmaceuticals company. \$250m. said yesterday its US unit had won approval from the US Food & Drug Administration to market 30mg and 60mg tablets used to prevent chest pain due to coronary heart disease, reports Reuters in New York.

The new drug is a generic

Faulding believes it is the first independent generic pharmaceuticals company to receive clearance to market the 30mg tablets. Generic equivalents for the 60mg strength have been marketed since November 1998

The company will begin commercial shipment immediately. Faulding shares rose

Bidding war over AirTouch is only for the brave

It is hard to see many groups wishing to tangle with Vodafone as it seeks a merger with the US wireless carrier

By Richard Waters in New York

There are a number of large US telecommunications companies that would hate to Touch investors. see AirTouch, the country's biggest wireless carrier, fall

share, or a 30 per cent pre- to its earnings per share, mium to AirTouch's share price before news that it was involved in merger talks ment to account for the first broke, it is difficult to merger - an issue still see many getting drawn into thought to be unresolved. a bidding war against UKbased Vodafone.

Bell which had appeared to be edging close to a purchase of AirTouch over the weekend, is thought to have offered stock worth around based on its own share price vesterday. That represents only a small premium to the price before its interest

chairman, "is not going to future growth, not divisell at a 10 per cent premium it's too low," said Andrew

M MINORCO

Cole, a telecoms consultant at Renaissance Worldwide. Certainly, that has been the view of a number of Air-

Bell Atlantic may be reluctant to raise its bid much to a foreign merger. higher, however. It already
But at more than \$90 a faces considerable dilution even assuming it could use the pooling of interests treat-

One way out would be to create a separate stock to Bell Atlantic, the Baby track its wireless operations a route that other wireline carriers have taken to prevent the same sort of dilution from the fast-growing wireless business. Sprint has \$75 for each AirTouch share, already done this, and AT&T is set to announce a similar arrangement.

Vodafone faces no such problem. Its shares, like those of AirTouch, are held Sam Ginn, the AirTouch by investors looking for dends. The stock market has become accustomed to valu-

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DECLARATION OF DIVIDEND

A second interim dividend of 8 US cents per share has

been declared in respect of the year to December 31, 1998 payable on February 10, 1999 to shareholders registered

in the books of Minorco at the close of business on January 15, 1999 and to persons presenting coupon no. 23

detached from bearer share certificates. Shareholders

resident in the United Kingdom who do not elect, by

notifying the United Kingdom transfer agents by January

22, 1999, to receive their dividend in US dollars will

receive their dividend in sterling converted at the rate

applicable on January 26, 1999 less appropriate taxes.

Dividend warrants will be posted from the transfer agents

on February 9, 1999. The dividend is payable subject to

conditions which can be inspected at the offices of the

Minorco Société Anonyme, 9, rue Sainte Zithe, Luxembourg

ciation and amortisation) and would take such a combination in its stride. The UK carrier also benefits from having a powerful takeover currency. Its shares trade at a higher multiple of ebitda than AirTouch's, a reflection of the higher

growth rates and valuations

of wireless companies out-

Vodafone is both the UK's

largest mobile phone opera-

tor and, along with Air-

Touch, one of the world's

two largest wireless groups.

Hugely profitable in its

home market, it is beginning

to reap the benefits of its

spread of investments in

fledgling cellular operators

Last year, for example,

group profits before tax

amounted to \$650m (\$1.08bn)

on turnover of £2.47bn, while

in the first six months of the

current year profit before

tax came to £476.9m while

Vodafone has long been a

avourite with UK analysts.

Robert Millington, London-

based telecoms specialist

with Credit Suisse First Bos-

ton, noted last year: "Voda-

fone is arguably the out-

furnover was £1.56hn

outside the UK.

ing both companies on a side the US. Vodafone would multiple of ebitda (earnings still face questions about whether it had overpaid. before interest, taxes, depre-

Applying a multiple of 10 to AirTouch's long-term ebitda growth would imply a price of around \$84 a share for the company, according to Charles DiSanza, an analyst at Gerard Klauer Matti-

Along with some other

years. From launch in 1984,

the group has grown to be

one of the UK's top 10 com-

panies, measured by market

Yesterday, after its share

price rose on news of the

merger approach, it was val-

ued at about \$57bn compared

Its market canniness and

commercial nous are being

appreciated on a broader

front. This month Forbes

magazine awarded it the

accolade of the world's best

big telecoms group ahead of

South and Cable & Wireless.

The criteria included price/

to \$42bn for AirTouch.

capitalisation."

strategic headache in the US, by selling the network there to Bell Atlantic. By moving quickly with its attempt at a knock-out

cost, and resolve a potential

hid, meanwhile, Vodafone may have pre-empted another potential acquirer in the shape of MCI WorldCom. Bernie Ebbers, chief execu-

tive, and the support of its

first chairman, Sir Ernest

Harrison. Originally a sub-

sidiary of Racal, the elec-

tronics empire built by Sir

Ernest, the company was

It was a difficult period for

the cellular industry. Mobile

phones were cumbersome.

battlery life was short and

calls were expensive. This

was the time, after all, when

AT&T sold off its mobile

interests believing them to

future, however, and Voda-

have no great potential.

floated in 1988.

WorldCom of the US, Bell more than two years ago.

fone could recoup some of its offer for MCI with a knockout punch, and Wall Street was not ruling out a similar Brothers, raised his price blow against Bell Atlantic's low-ball bid. MCI WorldCom, like Voda-

fone, has a powerful stock to back acquisitions, thanks to its status as one of the most highly regarded large-capi-

particularly at the price Vodafone is believed to have proposed for AirTouch. He still needs to show Wall talisation growth stocks on Wall Street. The company's Street that the takeover of Wall Street analysts yester- tive of the former World- shares jumped \$4%, or 6 per MCI, by far his biggest ever day, Mr DiSanza said Voda- Com, once broke up BT's cent, to \$74 in early trading can be made to work.

UK analysts' favourite relishes hunt standing UK corporate suc- of the vision of Sir Gerald mance by its only competitional portfolio delivered cess story of the last 15 Whent, its first chief executor, Cellnet, in which British operating profits of £153m,

majority stake. He also believed in an international future and sequence of Mr Gent's suc-Vodafone, buoyed by its UK skills and experience, set rejuvenation in the UK. He about securing licences cut prices and introduced abroad. It sought quality, Sir new tariffs. Vodafone was Gerald declaring at one time that most of the overseas licences worth having had been secured.

Telecommunications had a

Under its current chief executive, Chris Gent, progress has been maintained. More than £2bn has been invested in the group's over- ers in the Christmas quarter,

Sir Gerald, now 71 and contenders such as MCI retired as chief executive seas operations since 1989. The company says its own estimate. had faith in the cellular international strategy is to achieve group earnings from of repeating the experience earnings ratio (49.6) and five- fone secured one of the first overseas on a par with those with AirTouch. Asked if he year return on capital (34 two UK operating licences from the UK within the next was intimidated by larger per cent). AirTouch was in and built up a strong base of five years. At the halfway competitors, he replied: "We business customers, helped mark at the end of Septem are very much the hunter Vodafone is the offspring by an indifferent perfor- ber last year, the interna- not the hunted."

Mexican brewers lift prices sharply

brand, pushed up prices an increases are higher than ted successfully for its average 18 per cent, while most analysts' forecasts for reduction, but failed at the

Tecate, rose an average above the government's 13

cent level of a special excise tax on alcoholic heverages introduced last year.

which include Sol and age about 16 per cent, well voted for the scrapping of a

received a New Year's shock cials said. The price rises follow a Industry officials said the Wall Street analysts said on Monday when Mexico's decision by Congress in the tax would hurt the competithe increases would help 1999 budget agreement last two leading brewers, Grupo tiveness of the Mexican beer underpin profits for both week to retain the 25 per companies against rivals in

By Henry Tricks in Mexico City

Mexican beer drinkers Modelo and Femsa, announced an almost 20 per cent rise in beer prices.

19 per cent, company offi- per cent target.

companies at a time when beer consumption is expec-Grupo Modelo, which ted to contract as the econbrews the flagship Corona omy decelerates. The prices of Femsa's brands, inflation in 1999, which aver- last minute as Congress

The brewers almost lobb-

proposed telephone tax

the US and Canada, Mexico's two partners in the North American Free Trade Agree-

Modelo's beer sales in 1997 were \$1.9bn and Femsa's

equivalent of Imdur, marketed by Key Pharmaceuticals. The product had brand- 3 cents to close at A\$7,70 in a name sales for the 12 months falling market

Internet brokers' stocks take downward turn By John Authers and John Labate in New York

FLOATING RATE NOTES

Notice is hereby given that the Rate of Interest has been fixed at 6.56031% and that the interest payable on the relevant Interest. Payment Date April 6, 1999, in in respect of US\$100,000 nominal of the Notes will be US\$1,640.08. Global Agency and Trust Services Cribant, N.A. London

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January 6, 1999

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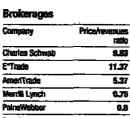
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Shares in internet brokers took a dive in early trading on Wall Street yesterday, as the market suddenly began to take note of how high valuations for the sector had Charles Schwab, which

does more trading than any other broker online, saw its shares fall 3.75 per cent, whole was rallying.

and AmeriTrade more than doubling during 1998.



directly in US equities not including pensions.

investing. Acquisition costs for each



Charles Schwebt group he chairs saw shares fall 3.75 per cent

that each new account costs ing a dent in their profitabilcustomer still seem prohibi- brokers on average \$200-\$300 ity. tive, and this remains an to acquire. This is mostly

took the market capitalisa- market is betting on a heavy tion of Merrill Lynch, the largest US retail broker. Its price/earnings multiple, as an increase in margins. It before yesterday's tumble, was 76, compared with Mer-Many of the smaller internet brokers do not make reg-

enue ratios are as fair a valuation measure as any. This shows Schwab valued at 9.83 times historic annual revenues, and E*Trade at 11.73 times revenues, while Merrill - which was dented by the international capital

ular profits yet, so price/rev-

E*Trade, in particular. now appears to be valued as an internet stock rather than its recent success in attracting internet "traffic" to its

markets crisis last year -

is valued at 0.75 times reve-

According to E*Trade, it had 500,000 registered users at the end of last year, who accessed the site for information but did not trade, in addition to a slightly larger number of people with full trading accounts.

This suggests that the cing structure.

increase in volumes of trading on the internet, as well also implies that on-line brokers will need to take over not only the discount broking market, which was previously served over the telephone, but also the business

of full-service brokers. This is the philosophy of Schwab, whose strategy is to use the internet, and the extra analytics and advice it can provide, as a vehicle to compete directly with fullservice companies. After Schwab induced cus-

tomers early last year to

move to the web, it has since seen the total share of trades carried out online increase from 39 to 54 per cent. A as a broker, and its valua- total of \$156bn is now held in tion has been influenced by online accounts while weekly trading on the web by Schwab customers has reached \$4.3bn, more than double its \$2.1bn figure in the first quarter of last year. Schwab said that it had now attracted enough new volume, and instituted sufficient cost-savings, to make good the fall in revenue which came with its new pri-

Europe Man.

the course of the con-

(The Company) (Incorporated as a company limited by observe in Taheara, R.O.C.) USS150,000,000 Zero Coupon Credits than 2002 (The Bondar') THES NOTICE IS HERRERY GIV. Notes the Company has determened to a December 28, 1995 as the near consolitation Date is credit to be report in the Company has determined. Constiglations Date. Bondholders should consult outs the Bendholders should consult outs the Beres and Conductors of the Bonds contagged as the Officing Carcilar dated May 7. 1997 for specific particulars ownership the convenion rights attaching to the Bonds. GVC CIERULATIN CTTBANCO BY: CITBANK, N.A. Dated: January 6, 1999

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BANK (E.C.) USD FORCE AND 999 Rate Notes dee 2021 Notice is hereby green that the rate of interest for the period from Jenuary 4th, 1999 to July 2nd, 1999 has been fixed at 6.455 per cent. per amount. The coupon amounts due for this send are USD 320 99 per degreentation of USD 10,000, USD 3.209.57 per degreentation of USD 10,000, USD 3.209.57 per degreentation of USD 10,000 and use per periods.

d**onomineso**n of USU 500,000 and are prep on the interest payment data July 2nd, 1999

SOCIALIST REPUBLIC

while AmeriTrade, a smaller internet broker, slipped 5.1 per cent as the market as a But this followed impressive gains which lifted the entire sector at the end of last year, with the market capitalisations of leaders such as Schwab, E*Trade

Now attention is focusing on their fourth-quarter sharp hit to its profits early results. Online broking is the most firmly established of all the "e-commerce" businesses, and brokers' success in making profits online will be closely watched by analysts following other e-com-

merce companies.

E*Trade AmeriTrade Merrill Lynch Donaldson Lufkin & Jennette 1.12

already significant. By late September last year, 26 per cent of all retail trades in the US went through online hen Franco at Piper Jaffray. He adds that the 10 largest online brokers accounted for 5 per cent of all assets held

But profitability is highly questionable. Schwab took a last year after it changed its pricing to encourage investors to move over to online.

On any basis, the valuaimportant issue. The trend caused by advertising, but tions put on online brokers The volume of trade car- varies between companies, some companies also offer are very optimistic. Last ried out on the internet is but Mr Franco estimates rebates to new clients, creat- week, Schwab briefly overCOMPANIES & FINANCE: ASIA-PACIFIC

TELEPHONY HUTCHISON TELECOM AND NEW T&T REDUCE CALL COSTS FOLLOWING HK TELECOM MOVE

New tariff cuts unveiled in HK telecoms

By Louise Lucas in Hong Kong

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Prices are to fall further in Hong Kong's newly liberalised IDD telecommunications market, after two local companies launched aggressive promotional packages

The moves follow Hongkong Telecom's tariff cuts on Monday. Hutchison Telecom yesterday said it would cut its IDD rates by up to 50 per cent during its six-week pro-

the cost of calls that exceed 10 minutes.

Hutchison Telecom and New T&T are expected to grab the bulk of the market share lost by Hongkong Telecom, which surrendered its

international simple resale calls market. (ISR) licences, which allow

T&T, the telecoms arm of Hongkong Telecom capacity nies such as Hutchison Cable and Wireless of the that of Hutchison and Wharf (Holdings), is slashing and offer their own branded believe they will be able to UK, cut the cost of calls to Guangdong is excluded, but

services. Several, including all three domestic fixed-line competitors, already offered international services via callback, whereby calls circumvented the monopoly by being IDD monopoly on January 1. bounced back as incoming Since the beginning of the calls. These are estimated to year, about 30 telecoms have accounted for up to 20 operators have secured per cent of the international

motion period, while New them to bulk-lease back is inferior, and compa-

company's position strad-

more even footing with ISR. Hutchison is seeking to woo customers with a promotion offering discounted tariffs on calls to popular destinations, including southern China.

For offpeak hours, the cost of calls drops to new lows: HK\$0.48 a minute to the US of HK\$0.66 offered by rivals. However, quality on call- Although Hongkong Tele- 10 minutes, its deal is one tome back is inferior, and compa- com, which is controlled by and a half weeks longer than cent.

the bulk of its business and ute. still higher than the allhours HK\$6.48 offered by

Hutchison. with a "talk longer, pay less" per-minute cost of calls after 10 minutes, its deal is one tomer savings of about 8 per

Pre-bax profit (PMB m)

believe they will be able to UK, cut the cost of calls to Guangdong is excluded, but compete for customers on a northern China - excluding calls to the rest of China fall Guangdong province in the to HK\$3.45 after the first 10 south where Hong Kong has minutes at HK\$8.80 a min-

family ties - its charges are By contrast, the savings programmes launched by Hongkong Telecom do not lapse after a promotional New T&T has joined in period. According to Jardine Fleming Securities, compared with the next best promotion that drops the the former monopoly's calling plans equate to cus-

Total assets (PMS bt)

Rs1.7bn (\$40m). The deal marks a further ing in India's cement indusits cement division to tonne." Lafarge of France for Rs5.5bn. Earlier, the Aditya group announced the merger

of its cement interests into the group company Grasim Industries. Following the purchase. Larsen and Toubro will be India's joint biggest producer of cement with Associ-

ation Cement Companies.

By Krishna Guha in Bombay

Larsen and Toubro, India's

with a capacity of 12m tonnes per annum. This was an opportunity for us to acquire an existing plant at a very convenient location at a very reasonable price," said S.D. Kulkarni

chief executive. In the past the company has grown organically, adding capacity by building

Larsen and Toubros is largest construction group, buying the 70 per cent stake in Narmada Cement, which has made its first acquisition by buying a controlling made a loss of Rs60m last stake in Narmada Cement, a year, from the Chowgule Gujarat-based producer, for group.

existing cement units.

Indian group

in cement buy

"The enterprise value of this comes to about Rs2,000 quickening in the restructur-ing in India's cement indus-Mr Kulkarni. "To set up a try. Last month, Tata Iron new plant of that size would and Steel revealed the sale of cost more than Rs4.000 per

Mr Kulkerni said it was the right stage in the business cycle to make acquisitions. "Today the market is depressed. That is the reason why you are getting it at such an attractive price," he said. "If you have a long

term objective, I think this is the right time." He said the location of the Narmada plant - 7km from Larsen and Toubro's own cement plant in Gujarat -

would make synergies and cost savings possible. The group said it would consider more acquisitions. but remained cautious. "It will be on a very selective basis. We are not going to rush into acquisition unless

modern greenfield plants. there is real synergy and the But India's economic slow- price is right.

Chinese broker with eye on expansion bucks Asian trend

Still, Mr Wang's positive in the southern city of Shen-

Guotai aims to develop overseas as others retrench, writes James Harding

etrenchment may be the finance ministry, with the rule these days for many securities houses in Asia, but the company set to become China's largest stock brokerage is in expan-

sive mood. Guotai Securities, the state-backed firm from Shanghai, will conclude its merger with J&A Securities early this year to become the most influential operator in China's emerging capital markets.

But Guotai's ambitions stretch further afield - the six-year-old company plans to become China's leading securities company abroad, as well as at home.

"We are trying our utmost to develop our international business," says Wang Yimin, executive director of Guotai. "China's capital markets cannot be isolated from other markets...and we want to project ourselves internationally."

Guotai is considering a number of projects to increase its global profile: the establishment of offices in Europe; the underwriting of large mainland listings on the Hong Kong and other international markets; and a proposal to set up an investment fund with an overseas financial institution.

Guotai's domestic operations provide the underpinning for its overseas aspirations. The company was established in 1992 under the guidance of the higher trading volumes."

support of China's big four portrait skirts some of the zhen and backed by local commercial banks and the embarrassments and uncommilitary and public security People's Insurance Company bolders drawn from the best-

Shanghai Petrochemical RMB1.61m to RMB427m from

known names in state indus- dling the state sector and try, such as Baosteel and the capital markets. Guotai's reputation has Last year. Guotai's pre-tax been dented by the recent profits rose sharply from scandal surrounding Chengdu Hongguang Indus-(\$52m) and assets jumped trial, which provided false RMB8.8bn to financial information to gain

project ourselves internationally

RMB6.1bn. Mr Wang fore- a share listing. Guotai was 'We are trying our utmost to develop our international business . . . China's capital markets cannot be isolated from other markets, and we want to

generated equally by its three main sources of revenue: new listings, broking

The group continues to grow, despite the slowdown year. "We still have a big a Titan in the industry." share in the underwriting business and an area that is issues," Mr Wang says. "We have also seen the increase in commissions because of

substantial loss.

The merger with J&A commission and proprietary Securities has also been seen as a mixed blessing for Guotai. Mr Wang says: "The merger will be beneficial to in new issues on China's Guotai. J&A is a good comsubdued capital markets this pany and Guotai-J&A will be

growing strongly is rights as much a business consideration as a political imper-

casts a return on equity this fined for recommending the year of about 50 per cent, company, which reported profits when it was making a

> But the driving force behind the merger was not

J&A Securities, the bestknown securities firm based

fortable challenges that authorities, was nudged into of China, as well as share- flowed last year from the a merger with Guotal by the government after the discovery of widespread financial irregularities. Guotai has been given the

chance to catapult itself into the lead of China's securities industries, but it must restore the reputation of the brokerage and take on almost the entire J&A staff. doubling the company's numbers to more than 5,000.

Before the merger, there were plans to establish a European subsidiary. Guotai, which already has a presence in New York and Hong Kong, was looking to open an office in London and possibly Frankfurt.

The details of the Euro-

pean expansion will now have to wait for the conclusion of the merger and will also depend on whether the company sees the focus of Europe's financial markets changing after the launch of the euro. But the principles of the move remain the same: first to collect information for its global research department, and second to establish a network of banks and a client network.

So far, Guotai's international work has predominantly involved underwriting issues of mainland companies on the Hong of the Guotai Investment Kong market or on mainland

China's own foreign investor tic funds since the govern ment set up a formal system

B-share markets. It is expected to extend its of regulation for the fund record for large share issues early this year, following the recent announcement from the China Securities Regulatory Commission, which ity to run another one, even oversees new listings, that a another five, but the probfifth batch of large Chinese companies had been approved to issue shares in

Hong Kong. More ambitious are Guotai's plans for an international investment fund. "We have discussed this idea with some international investment banks," says Mr Wang, outlining a proposal for a joint-venture fund that would cover the China markets. Chinese companies listed on overseas exchanges and, possibly, international companies with substantial business interests in China.

management industry. Mr Wang says: "We want to manage another [domestic] fund and we have the capaclem is that this is at an experimental stage and we would not be allowed to do that yet."

To make a success of an international fund, Mr Wang believes co-operation with a well known foreign financial institution would be essential. "We must have credibility with overseas investors...and if we want to set nn an overseas markets fund, then we need to have better understanding of foreign markets. Our two problems will be credibility and understanding, so we will This year saw the launch have to co-operate with international investment Fund, one of the first domeshanks," he says

Creditors warn on PAL rescue talks

Philippine Airlines, the that it was not satisfied with European creditors threat-reserves. ened to pull out of negotiations on the airline's rehabil-

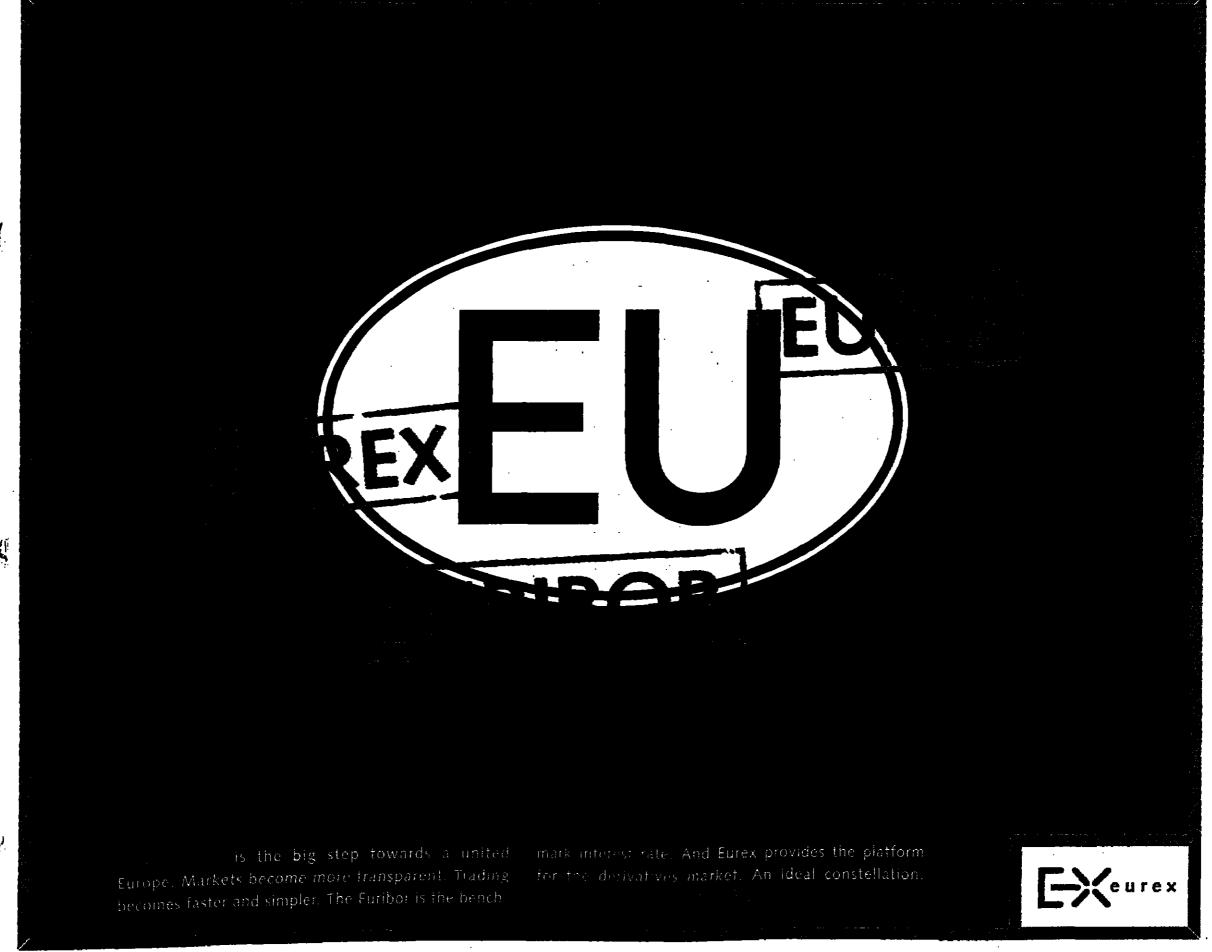
writes Abby Tan in Manila. Another group of creditors, the US Export-Import cient for its operations. It Bank totally rejected the also demanded that PAL rehabilitation plan as take a strategic partner and "fatally flawed".

The European Export in PAL management. Credit Agency, representing UK, German and French letter to the Philippine Secu- the recovery plan would

troubled national carrier, PAL's offer to pay \$10m. came under renewed pres- PAL said it would draw the sure yesterday as its big money from its cash

Meanwhile, the US Exim Bank told the SEC that the itation plan unless it rehabilitation plan, which resumed paying debts, included an injection of a local investors, was insuffisaid it had "lost confidence"

Edgardo Espiritu, finance Secretary, said yesterday the interests holding \$1.2bn of SEC would have the final PAL's \$2bn debt, said in a say and creditors opposing rities Exchange Commission have to go to the courts.



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in terms of assets. The stake (€180m) (\$212m) at current market prices. recently bought a 4.5 per cent stake in Banca Com-

largest bank by market capi-

talisation and third biggest

The German bank, which merciale Italiana (BCI), said it had bought the stake from the Cariverona and Cassamorca foundations, two of with an extensive retail financial markets that the be spreading its options in Italy.

BANKING GERMAN GROUP BUYS 0.75% OF ITALIAN BANK

However, it denied stockmarket speculation that it had already accumulated a 5 per cent stake in UniCredito the enlarged banking group formed last year through the day said it was unaware of merger of Credito Italiano any particular strategic is worth about L350bn with three north Italian regional banks - Cassa di Risparmio di Verona, Cassamarca and Cassa di Rispar-

mio di Torino. Deutsche Bank, which also owns a 2.36 per cent stake in the Fiat automotive group and is the only foreign bank

ing, if occasionally treacher-

ous, slopes of international

For the German market is

over-banked and largely cap-

tured by public-sector banks

that benefit from political

patronage. For many years it has simply been too difficult

for a big commercial bank to

make enough money at

operations are useful - and

Dresdner has an impressive

DM400bn (€205m, \$241m) or

so of assets under manage

ment - but it is the high

margins offered by invest-

ment banking that are most

appealing. For such rewards

to fall into Dresdner's lap.

however, it is essential to

select a suitable partner.

Dresdner's chief executive.

Bernhard Walter, caught

some matchmakers by sur-

prise this week when, in his

first public comments of

1999, he indicated he would

be prepared to pay as much

as DM15bn-DM20bn to secure

stock swap. The amounts do

not limit us. Much more

decisive is the question of

management capacity." Mr

Walter said, referring to the

problem of integrating a cau-

tious, tradition-rich German

bank with a younger, adven-

turous US investment bank.

as possible partners for

Dresdner are Credit Suisse

First Boston, PaineWebber,

and Donaldson Lufkin &

Jenrette. Less likely candi-

dates include Bear Stearns.

Lehman Brothers and

Mr Walter insisted he reputation in recent years

Among those mentioned

"It depends on what type

the right match.

management

Asset

investment banking.

said the acquisition was a consolidation in the Italian financial investment.

After a request for more information from Consob. the Italian stock exchange watchdog, UniCredito yesterintentions on the part of Deutsche Bank and that it had no information to suggest the German investment was anything other than

proposed merger. By acquirdid little to dispel the prevailing view in the Italian the German bank appears to

UniCredito's main share- banking network in Italy, German move was part of Italy and positioning itself for new developments in Italbanking sector. ian hanking mergers. German banks and insur-Commerzbank

> ing a significant role in the in BCI from 3 per cent to 5 per cent to counter Deutsche reshaping of the Italian financial sector. Deutsche Bank's investment in UniCredito also coincides with complex and strained merger negotiations increasing its 3 per cent between BCI and Banca di stake in UniCredito to 5 per Roma. Deutsche Bank is cent and is likely to monitor understood to oppose the closely Deutsche Bank's lat-

Bank's acquisition of a 4.5 per cent stake in the Milan bank. Allianz, the German insurer, is now interested in est Italian manoeuvres ing a stake in UniCredito, Dresdner Bank also said this week it wanted to expand in

autumn increased its stake

launches bond in euros

Vivendi

By Vincent Boland

Europe's convertible bond market burst back to life after the holiday shut-down yesterday when Vivendi, the French utility, launched the first bond issue of its type denominated in euros to raise up to €1.7bn (\$1.99bn). Vivendi's bond issue will

be convertible into new or existing shares and is the second biggest from a European issuer behind France Telecom, which raised FFr12bn (€1.83bn, \$2.15bn) late last year to coincide with the sale of a tranche of its shares by the French gov-

The bonds, proceeds of which will be used to restructure Vivendi's debt profile, have a five-year maturity and carry a conversion premium of 22.6 per cent. Vivendi shares closed unchanged in Paris yesterday at €231.90, compared to a conversion price of €282.

Vivendi's convertible issue is the latest in a rising flow of convertible and exchange able bond issues from European companies. Over \$40bn was raised in international offerings by issuers in 1998. according to Warburg Dillon Read, with a substantial portion coming from Europe, where the market has been boosted by the launch of the

Jean-François Mazaud, head of equity-linked origination at Société Générale, w<u>hi</u>ch was bookrunner and lead manager for the Vivendi bonds, said the issue had attracted demand of €8.7bn, mainly from France. the UK, Germany and Switzerland. Vivendi issued €1.5bn of bonds, which can e increased to €1.7bn because of over-allotment.

Analysts said the European convertible/exchangeable bond market was likely to remain buoyant in 1999. Although a heavy calendar of equity offerings is in place, companies seeking to take advantage of low interest rates to restructure debt or to exit from non-core holdings were increasingly

using convertible markets. The sector has emerged as a distinct asset class in the bonds, which tend to be big and liquid issues such as those of French utilities. A €1.5bn exchangeable bond from Deutsche Bank last month can be switched into shares in Allianz, the German insurance group.

NEWS DIGEST

POWER

State replaces boards of Czech electricity group

The Czech government yesterday removed the main board and supervisory board of power company CEZ, the counny's second biggest listed company by market capitalisation, and replaced them with its own nominees. The move came after a similar move last month when the government reshuffled the board of SPT, the majority stateowned fixed-line telecommunications monopoly. Both moves have come under criticism from the political opposition for being politically motivated and "destablising both companies' operations.

The Social Democrat government, which took office in July, said the new boards must cut costs and improve efficiency. CEZ, which is 67 per cent state-owned, is badly behind schedule and over budget on the construction of a nuclear power station at Temelin.

The new chairman board is widely expected to be Millen Cerny, a former deputy minister for industry and trade. The new board nominees include several critics of CEZ's outgoing board and directors of other power industry compas, which analysts said was cause for concern. Robert Anderson, Prague

TELECOMMUNICATIONS

Clare MacCarthy, Copenhagen

Tele Danmark in Dutch buy

Denmark's leading telecommunications company, Tele Danmark, yesterday boosted its Baltic activities with the acquisition of Millicom East Holding, a Netherlands-based holding company with stakes in Lithuania's two premier mobile telephony operators. The purchase gives Tele Danmark a 71.6 per cent stake in UAB Bité GSM and a 49 per cent stake in Comliet UAB which have around 40 per cent and 10 per cent respectively of the Lithuanian mobile tele-

The Danish company, which has been active in the Lithuanian market for around five years, previously held 36 per cent in Bite and 24.5 per cent in Comflet. The company

declined to specify the price of its acquisition. The seller was Millicom International Cellular, which has stakes in some 30 mobile telephony companies worldwide. It recently disposed of a large stake in another Baltic mobile operator, AS Ritabell.

French phone market grows

The French mobile phone market grew 11.2 per cent last month, with 11m - or almost a fifth of the population subscribing to one of the three main services by the end of the year. France Telecom, the partly privatised national operator, had its busiest month ever, recruiting roughly 700,000 new subscribers. This brought its customer base to 5.47m, some 50 per cent of the market. ■ Alcatel, the French manufacturer of telecommunica-

tions equipment, said yesterday it had signed a contract to supply FFr800m (€122m) (\$144m) of equipment over three years to TCSB, a Malaysian mobile phone operator. Alcatel will supply new switching platforms and hundreds of base stations. Samer Iskandar, Paris

TRANSPORT

Ikarus cuts 780 staff

Hungary's troubled bus maker, lkarus, yesterday said it would sack 780 workers, or over 12 per cent of its total workforce, as a cost-cutting measure in the wake of losses totalling over Pt2bn (\$9.3m) on sales of Pt48bn last year. The development came as the company unveiled a new

Ikarus, which in the Socialist era turned out up to 15,000 buses a year, produced only 1,162 vehicles in 1998 against the planned 2,200, after the Russian crisis cripoled export sales and left the company on the brink of bank-

'Me too' bank wants its share of foreign action

Germany's Dresdner is on the look-out for an overseas partner, writes Tony Barber

ne month after Deut-sche Bank's marriage attempt to scale the temptto Bankers Trust, the eighth largest US bank, the hunt is on once more to find a suitable foreign partner for Dresdner Bank, Deutsche's closest rival in Germany. Recently dubbed the "me

too" bank by one European researcher. Dresdner is pursuing a dual strategy which mirrors that adopted by Deutsche: an increased presence in international investment banking and expansion in the euro-zone now Europe's single currency is a

But some banking specialists say that Dresdner, Deutsche and Commerzbank, the third big Frankfurt bank. may be indulging in wishful thinking if they believe they can make a breakthrough in investment banking big enough to compensate for their inability to generate substantial profits in their core domestic banking Torstein Jorstad,

researcher at Paribas, said investment banking earnings were thought to have represented 50 per cent of Dresdner's operating profit in 1997, but commented that such earnings were by no means guaranteed from one year to the next.

"Without more critical mass in investment banking, on a scale such as UBS (of Switzerland), for example, further investments and risk capital will be needed. Yet that will only skew the bank's earnings towards increased volatility and possibly an even higher cost base. Not the profile favoured by ratings agencies," Mr Jorstad said. Like Deutsche and Com-

merzbank. Dresdner has con- J.P. Morgan. cluded that the pursuit of

German banks: on the bunt







would avoid any bank that seemed too expensive or a bad fit with Dresdner. The of financing you use. For fact remains that Dresdner example, something could be is slotted in for a New York brought about by means of a listing next summer. This might mean a purchase fairly soon, since it would said the Bankers Trust purenable Dresdner to finance it chase underlined just how through an equity swap.

Such an arrangement would make sense to many banking analysts, who raised their eyebrows when Deutsche paid \$10.1bn, mainly in cash, for Bankers Trust. Deutsche is short of money: the bank later bought the Belgian business of Credit Lyonnais for DM1bu, and yesterday acquired a 0.75 per cent stake in Italy's Unicredito for an undisclosed sum. Yet Deutsche has earned a said.

for over-spending on largely unsuccessful effort to become an investment banking heavyweight. "It puts yet more capital into an area that was under-performing," said Peter Thorne of Paribas. Other banking sources

become to enter Wall Street. even if it meant accepting a second-best nartner. · Various US banks had Reserve about whether they were willing to acquire Bankers Trust, which had made a third-quarter loss of \$488m and was in need of a

helping hand, the sources Commerzbank, the small-

est of the big Frankfurt banks, wins generally high marks for its efforts to keep costs under control and to develop a more solid financial profile. But Mr Jorstad said:

"Sadly, it seems Commerzbank, too, now has given way to the allure of investdesperate Deutsche had ment banking, which is likely to ruin its otherwise reasonably decent cost base Ifor a German bankl if it continues on the current expansion plan

> Commerzhank are all searching for ways to break free from the restrictions that hinder private-sector banks in Germany. This year may provide a clue as to whether investment banking is the best escape route.

already rejected soundings Europe with a growing pool Deutsche, Dresdner and from the New York Federal of investors willing to buy

minibus it hopes will revive sales in western Europe.

ruptcy. Kester Eddy, Budapest

Classified information.

IN THE HIGH COURT OF JUSTICE IN THE MATTER OF FIDELITY ASIAN VALUES PLC

- and -IN THE MATTER OF THE NOTICE IS HEREBY GIVEN that the

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Davision dated 16° December 1998 confirming a cancellation of Share Prentum Account in the Crusputy in the sum of £85,115,198 was registered by the Registrar of Companies on 18° December 1998. DATED the 6" day of January (999 Straighter and May 15, Broughall Street London, ECTV SDB

JUPITER TYNDALL GLOBAL FUND, SICAV Registered Office: Luxembourg, 13, rue Goethe R.C. Luxembourg B 34 593 DIVIDEND NOTICE

The Directors resolved to pay a dividend of 1.75 peace per share to sh

CONTRACTS & TENDERS

ANNOUNCEMENT FOR THE **WASTE MANAGEMENT COMPANIES**

In order to secure the environmentally safe storage of the wastes of Tallinn, Estonia, the City Administration has passed a resolution to found an updated landfill corresponding to relevant regulations of European Union (Amount of solid waste approximately 180 000 tons/year).

For the implementation of project has been founded the Public Limited Company Tallinn Landfill, Tallinn City Administration (resolution adopted by city council on 29.10.1998) sees the division of the shares of Tallinn Landfill Ltd. as follows: 35% of the shares belong to Tallinn City, 65% of the shares will be sold to the strategic

Tallinn city invites the investors to submit the bids for becoming the main owner of Tallinn Landfill Ltd., City undertakes the obligation to sell by directed share issue 65% of the company's shares.

The sale of shares will be performed by directed tender

To get the "Terms for Competition" please contact before Jan. 14, 1999 to Mr. Tarmo Karl, Managing Director of the Tallinn Landfill Ltd. by fax: +372 6 679 342 or by phone: +372 6 679 341.

Deeper cuts feared in ING Barings review

The future of ING Barings.

the investment bank rebuilt under Dutch ownership after Baring Brothers, is to be decided next month amid fears that cuts in its operations may be deeper than previously indicated. Godfried van der Lugt,

who took over last year as chairman of ING, has told staff of the Amsterdam banking and insurance group that "we shall have to accept a structural decrease in business volume in our corporate and investment banking activities in the

emerging markets". He said in a new year message that directors of the parent institution had already studied in outline

closely this week. Adding that "too much is

the 1995 collapse of London's selves to be pressured into making a hasty and ill-conder Lugt said the process was "unlikely to be completed before mid-February". Ahead of that, non-executive directors on the ING supervisory board would have to be

consulted. He repeated that the bank would remain active in emerging markets as well as in the US, "but the emphasis will clearly be on the countries of western Europe".

Asian and Russian economic crises required ING to cut its earnings forecast for the unit after Marinus Minder-first time ever. Some 1,200 hout was forced out last proposals for a shift in strat- jobs in investment banking October.

By Gordon Cramb in Amsterdam egy for ING Barings, and are already going as part of would review these more a drive to reduce costs by a quarter.

According to Lewis at stake for us to allow our- Phillips, banking analyst with Fox-Pitt Kelton in London, it is "probably inevitasidered decision". Mr van ble" the number of redundancies will increase.

Investment banking will become more of an adjunct providing services to ING's corporate clients in commer cial banking, Mr Phillips believes, adding: "It is ques-tionable whether that is a viable business if you are only a part-time player."

The plans are being drafted by David Robins, ING Barings' new chief exec Problems arising from the utive, and Michel Tilmant, the ING main board director given responsibility for the

Kvaerner nets NKr2.2bn from asset disposals

By Tim Burt in Stockholm Kvaerner, the loss making

Anglo-Norwegian engineering and construction group, yesterday said its non-core asset disposal programme had raised NKr2.2bn (\$293m) in the past three months.

The company, which has embarked on a wide-ranging restructuring programme. predicted that the sale of assets, including its US plastics machinery business, Norwegian commercial properties and ships' equipment operations would lead to a one-off gain of NKr532m.

proposed NKr400m disposal

of its US housing develop-ment project in South Rid-

Yesterday, however, Kvaerner admitted that the

ing, Virginia, had fallen through. A consortium of project developers in the US, who

agreed to buy the site last year, failed to raise sufficient financing to complete the transaction. The company, which has

sold the bulk of its US housebuilding interests to Bezzer, the UK construction group, said it hoped to agree terms shortly with a new buyer for the South Riding project. in a separate development, Kvaerner said it had not

completed a proposed

NKr2.5bn securitisation

package for work on two

large cruise ships, under

construction at its Turku

Under the scheme, the group had hoped to secure project financing for two of the so-called Eagle-class cruise ships, each weighing 140,000 tonnes, during the last quarter of 1998. The ships, ordered by Royal Carlbbean cruise lines

of the US, are part of a \$1.5bn order. Kvaerner said it was still seeking a securitisation package, with the agreement of Royal Caribbean, to help it offset construction costs of

Kvaerner's most commonly traded A shares rose NKr1 to NKr158 in Oslo yesterday. The company's share price has risen about 28 per cent since Mr Almskog was appointed in October.

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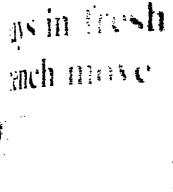
Kimberly M. Knight

Kazuaki Takabatake

Manager

London

Anita Selby Assistant Manager



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James E. Kitchens, III Michael O. DuPlessis Manager

the vessels.

Abbot and ProSafe in merger discussions

By Thorold Barker in London and Valeria Sköld in Oslo

ite replaces boards of

sch electricity group

COMMINGATIONS

e Danmark in Dutch buy

nch phone market grows

Marin Military

rus cuts 780 staff

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事務の主義を手対しており、3、1 行力を対す

Abbot, the UK oil services said they were in merger discussions which would create the world's leading platform drilling company, worth

about \$885m.

strip products division, but

has yet to reveal whether he

has a strategic vision for the

He joined the board in

1996, and is currently

responsible for strip prod-

ucts, tinplate, narrow strip products and the Trico Steel joint venture with Sumitomo

Sir Brian, who will remain

chairman, is relinquishing

the top executive job

pany recently reported first-

is buying another express

delivery group in France,

just weeks after buying one

of its target's main competi-

on the company's perfor-

Together with the Decem-

ber purchase of Colirail.

another French courier com-

mance.

Hays said yesterday it had

Hays in fresh

French move

and LTV in the US.

vatised in 1988.

be listed in London.

group, and ProSafe, a Norwe-moves last year by larger US the deal would give the which values ProSafe at a gian competitor, yesterday competitors. Schlumberger enlarged company critical premium of more than 100 oil prices because it is bought Camco for \$3.3bn in June and Baker Hughes drilling opportunities in ing price. acquired Western Atlas for \$5.9bn in May.

Shares in ProSafe jumped The terms of the merger, 58 per cent to NKr88.50, valu-

Michael Salter, Abbot

mass to pursue new platform per cent to yesterday's closareas such as the Caspian Sea and West Africa.

enlarged company owned shares closed up 13%p at remain split between Aber- down along with other oil NKr182m (\$23.5m) from turn- advising ProSafe.

equally by shareholders in 192%p, giving it a market deen in Scotland and Tanashares in the Norwegian over of NKrl.8bn (\$233m). ProSafe and Abbot, it would expitalisation of \$443m. ger in Norway. If the deal goes aher

Norwegian analysts were

However, Reidar Lund, ProSafe chief executive, on exploration drilling. But he admitted there defended the price, saying would be minimal cost the company's shares, which of £15.2m (\$24.5m) from turn- ProSafe. which could be agreed ing the company at savings because the compa- reached a high of NKr168 within weeks, would see the NKr2.3bn (\$296m). Abbot ny's head office would last May, had been dragged

He said ProSafe's business, The talks follow a series of chief operating officer, said surprised by the Abbot offer, like Abbot's, was relatively insulated against the fall in focused on production drilling, while oil companies executive. have concentrated their cuts

> Abbot made pre-tax profits over of £156m (\$251m) in 1997, while ProSafe made

If the deal goes ahead. Alasdair Locke, Abbot executive chairman, would of the merged company and Mr Lund would become chief

The four remaining executive directors would be split equally between Abbot and

Abbot is advised by Albert E Sharpe, Goldman Sachs is

LucasVarity

and Mikki Talt in Chicago

and aerospace group.

Such a move would repre-

with TRW was unlikely. But they said a merger between LucasVarity and TRW's automotive components business could prove attractive, giving the UK group the steering and suspension products for integrated chassis control systems.

scope for disposals and mergers, or joint ventures of some divisions with others in the consolidating vehicle components industry.

It will unveil the results of

its review on March 25. Speculation about merger has helped lift Lucas-Varity shares 7 per cent this week to 2151/ap, giving it a market value of £3bn.

Tenneco, a rival US auto parts and packaging group. has also been suggested as partner for LucasVarity, but the likelihood of such a deal is said to be remote. Tenneco, based in Connecticut, said: "We are in discussions with a number of parties across our businesses." Lucas Varity and TRW

A combination of Lucas-Varity and TRW's automo tive business could help Victor Rice, LucasVarity's chief executive, obtain the US stock market quote be believes is necessary to play dle of a strategic review. It is a full part in the consolida

declined to comment.

COMMENT LucasVarity

It is tempting to assume that Lucas Varity's only reason for exploring US merger options Share price relati is Victor Rice's hankering after a New York listing. At first glance there seems no great need for a deal. Since Lucas Industries and Varity Corporation merged in September 1996, the group's shares have underperformed US and UK peers by a quarter. But that has stabilised in the past year. Meanwhile, Mr Rice has delivered promised cost savings, working capital

improvements and increases in margins while building up

the order book. LucasVarity frets that it has fallen from second to eighth in the automotive suppliers league since 1996. But it ranks in the top three in its chosen markets, such as braking systems, and it largely has the geographic spread it wants. The snag is that its product portfolio does not look so well placed for the decade ahead. It needs a partner to build up new product lines such as integrated chassis controls. The other unspoken reason for a deal lies in the fact that trading is getting tougher, putting the old savings and margin targets at risk. A deal would allow for further cost cutting. Investors should remember, though, that it is likely to be the junior partner in any merger. Its 53bn market value compares with TRW's £4.1bn capitalisation, for example. LucasVarity might not be negotiating from a position of

strength, but that would not excuse selling out on the cheap.

UK mobile phones

A deal that strengthens Vodafone sounds like bad news for UK rivals like Orange and Cellnet. A Vodafone/AirTouch combine with deep pockets may finally launch the price war which consumers have been waiting for Alternatively, a deal that expands Vodafone's European portfolio should translate into cheaper international calls for Vodafone users, thereby giving its products a competitive edge. But since when has the market dwelt on potentially bad news for its cellular stars? Orange's shares jumped, partly on hopes of sector consolidation. True, mobile operators may well turn to acquisitions to boost growth rather than bid for a dwindling number of new licences in an increasingly competitive Europe. Whether Hutchison, which owns some 49 per cent of Orange, is prepared to sell is another matter.

Meyer makes **Dutch disposal**

By Lucy Smy

Meyer International, the paid on completion of the UK's biggest builders' mer- deal, which has to be chant, has sold its underper- approved by Dutch merger forming Dutch businesses authorities. It was not a for £56m (\$94m) to William great price, Mr Peterson Pont Holding of the Netherlands.

Alan Peterson, chief executive, said the Pont Meyer the coming year. timber and building materials division had failed to money would initially be match the performance of used to reduce borrowing, other parts of the group, but Meyer was still on the principally the UK-based Jewson builders' merchant. Mr Peterson said: "If you look at the return on capital of the rest of the group, most with the £305m Harcros buy. of the business is making 19-24 per cent - the Dutch

side was making around 9

per cent." When Meyer reported half-Mr Peterson hinted that a disposal could be in the offing if Pont Meyer could not be turned around, "It would have been such a long haul to pull it up to the group

The consideration will be

said, but it was fair compared to the profit that Pont Meyer would have made in

Mr Peterson said the look-out for acquisitions. Mever is keen to expand its core Jewson business which nearly doubled in 1997

In November Tony Palmer. chairman, said the company would be looking "energetically" for targets in the UK, and was also seeking ways year results in November, to expand its US business. Mr Peterson said: "We are looking to build our position in the US, and get more market share.

Although the shares closed 11½p lower at 335p, the disposal was cautiously welcomed by analysts.

explores US link

Rv Charles Pretzfik in London

LucasVarity, the automotive parts and engineering company, is understood to have considered forging a closer alliance with TRW, the Ohiobased motor components

sent an expansion of the joint venture established by the two last year to make electric power steering systems. However, it is understood there are cur-rently no formal discussions between LucasVarity and TRW about closer links. Analysts said a full merge

LucasVarity is in the midthought to be examining the tion of the industry.

PacifiCorp operates in the Ian Robinson, Scottish west of the US where it sup-Power's chief executive, will be granted before the plies power to 1.4m custombe chief executive of the

power station. The deal, although described as a merger, represents a takeover by Scottish down 5p. Before the bid was Power, which will give its announced last month, Scot- name to the combined busi-

ers. It also supplies 550,000 merged group. Ian Russell of Scottish Power remains customers in Victoria. Ausfinance director for the comtralia, where it has a 19.9 per cent stake in a coal-fired bined business. It will be the first time a UK power company has

bought a large US electricity supplier, reversing the recent transatlantic trend of US groups buying regional

Mutual society defends status

Bradford & Bingley, the UK's mutual status yesterday, Major, a Northern Ireland saying it would vigorously oppose a campaign to force it to convert to a bank.

It immediately stopped network in the south west. non-members

It said the suspension

savings accounts to-prevent meeting when the vote a wider victory margin speculation. This was after would be held. New mort- because it has had longer to gage business will continue to be accepted.

> society, narrowly won a battle against dissidents who wanted to force it to convert

to a bank.

demonstrate the benefits of mutuality through higher Last year Nationwide, the savings rates and lower country's biggest building mortgages. Lindsay Mackinlay, B&B

chairman, said the board was unanimously opposed to conversion. The society has B&B believes it can secure

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average. It has been a very

low-performing business for

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Petroleum Authority of Thailand U.S.\$145,000,000 Floating Rate Notes due 2005 National Bank of Hungary U.S.\$100,000,000 Floating Rate Notes due 2000

LTCB Trust Company (as Fiscal/Principal Paying Agent) Dated 6th January, 1999

CONTRACTS & TENDERS



of flatness gauge suitable for controlling of hot strip mill sheet;

The potential manufacturers of these units are hereby invited to send their technical documents along with their reference list to the following address until Jan. 30, 1999

Plants: Facilities and Spare Parts Purchasing Dept, 15 km Southwest of Mobarakeh P.O. Box No. 167

Tel no. 0098.31-325347 & 325773 & - 325325 (3264.3632)

will be contacted by Mobarakeh Steel Company.

By Kevin Brown British Steel begins today a ton management shake-up as John Bryant, a senior director, takes over as chief executive from Sir Brian Moffat, chairman and chief executive since 1993. Mr Bryant, a life-long steel man, is a highly regarded operational manager with a background in British Steel's

British Steel shakes up team

John Bryant taking over at a low point in the company's recent history

because he has reached 60. and forecast a loss for the output cuts by Asian produc-He was finance director year because of the high when British Steel was pripound and falling steel the European Union. prices. Analysts are forecast-Mr Bryant takes over at ing losses of £140m (£315m fering big losses at its British Steel's lowest point profit) for 1999-2000 before a Avesta Sheffield stainless in recent years. The comreturn to profit in 2001. However, losses could con-

ers or protective action by

The company is also sufsteel producer in Yorkshire, which is 49 per cent owned half profits down 24 per cent tinue in the absence of a by Avesta of Sweden. at £108m (\$181m) before tax, recovery in Asian demand, Analysts said Mr Bryant

would need to keep a firm grip on the group's cost cutting programme.

"It is very important that John Bryant demonstrates that he understands how to manage a steel company from the cost side," said Terry Sinclair at Salomon Smith Barney in London.

tory and competition author-

ities and this is unlikely to

said it did not expect US

national or regional authori-

ties to block the bid.

Scottish Power woos US states

federal approval from regula- standing at 673p.

Scottish Power has applied

to regulatory authorities in five US states seeking their autumn. The UK company approval for its £4.2bn (\$7bn) all-share bid for PacifiCorp. The company is-offering 232 shares, or 58 American

Depositary Receipts, for every 100 PacifiCorp shares. It does not expect the authorities to rule on the takeover before the summer.

The offer values each PacifiCorp share at \$23.11 (£13.92) based on Scottish Power's price yesterday of 600p,

Both French companies pany, this will give Hays specialises in serving the more than a 20 per cent insurance business and is share in the French early- strong in north-east

market. Ronnie Frost, chairman, cialises in the medical and said the two businesses optical sector, has a better would be integrated over the

the management teams of Hays. the acquisitive both companies would stay logistics and services group, on. . As well as providing Hays with a footbold in the

French market, the acquisitions would bring the group's UK-based DX postal service a stronger infrastrucpaid an initial FFr150m ture from which to expand (\$27m) for a 97 per cent stake across continental Europe. in France Partner, with up "At the moment the marto a further FFr50m payable ket is very fragmented but it

in 2000 and 2001 depending is coming together very quickly," said Mr Frost. are based in Paris. Colirail. which Hays acquired for an initial FFr135m in December

morning express delivery France. France Partner, which spe-

next three months but that

It will also need to obtain tish Power's shares were ness. The global headquar- UK electricity companies.

confirming that a conversion second biggest building soci- resolution submitted by one ety, launched a defence of its of its members - Stephen quantity surveyor - was valid.

would remain in force until opening after its April 26 annual

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	Ternos	er (200)		r-tax t (2m)	B	S (p)	Coment palyment (p)	Date of payment	Dividends Corresponding Christend	Total for	Total No year
Surndene invest	101.8 32.6	(91.3) (-) (28.4)	8.28 1,71 1.96	(S.D1) (1.41) (1.94)	8.05 5.03 8.65†	(4.05) (3.95) (8.87)	1.7 2 2.6	Feb 15 Jan 29 Jan 29	1.3 2 2.5	2.5	2.05 15 6.6
nvestment Trusts	MAG	(p)		ustable ga (2:11)		\$ (p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total las year
oresignt VCT 1314 miths to Sept 30 remains Aim VCT 7½miths to Aug 31	95.6	(-) (-)	0.319 0.106	(-) (-)	3.14 1.38	(-) (-)	29 1	Jan 29 Jan 29	-	2.9	-
arnings shown basic. Dividends shown or	et. Agure	s in bracki	ats are for	соглавроя	ding perio	d. †On inc	reased capital	Ĺ			

MUNIALY AVEN	AUES UF	STUCK	IIIDIOLO	
	December	November	October	September
FTSE Actuaries Indices				
FISE 100	5686.3	5595.6	5063.B	5171.9
FTSE 250	4761.9	4885.D	4516.2	4657.9
FTSE 350	2586.2	2661.4	· 2417.2	2472.8
FTSE Non-Financial	2646.90	2630.55	2413.68	2480.53
FTSE Financial Group	4948.99	4877.76	4319.56	4410.37
FTSE All-Share	2591.98	2571.19	2337.61	2397.79
FISC AGESTICATE				
FTSE Eurotop 100 FTSE Eurotop 300	2617.70	2565.69	2265.27	2419.84
FTSE Eurotop 300	1133.97	1110.10	987.24	1051.7
FT/S&P-A World Index	296.68	288.06	260.34	258.09
FTSE Indices				
FT Govt Securities	114.95	111.99	111.32	110.1
FT Flored Interest	155.71	151.17	T49.65	149.68
FT 30	3431.8	3383.8	3043.2	3199.9
FTSE Gold Mines	960.02	1109.02	1137.13	957.91
	53,997	63.865	63,039	61.844
SEAO Bargains (5.00pm)	33,337			
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5507.2 2nd FISE 100 FISE 250 5941.5 29th 4681.3 15th 2619.0 2nd 2794.8 29th

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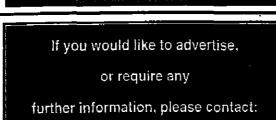
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National Bank of Hungary U.S.\$100,000,000 Floating Rate Notes due 2000

IN THE NAME OF GOD INVITATION TO COOPERATION

Mobarakeh Steel Company intends to purchase 1 unit of profile meter and 1 unit

Mobarakeh Steel Company, Purchasing Affair,

Esfahan, Iran For any further information please contact

Fax No. 0098.31-327512 After the receipt of the documents requested in this invitation, the approved manufacturers

Euro euphoria slowed by profit-taking

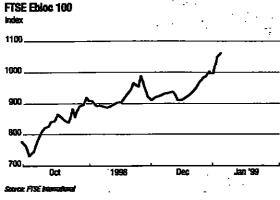
EUROPEAN OVERVIEW By Vincent Boland

Most European stock markets continued to move ahead yesterday although

surged against the US dollar

in anticipation of Japanese The bank said higher-than-investors repatriating funds. The bank said higher-than-expected US economic index of leading European confirmed it was in merger However, the euro's strong start and the expectation that it will lead to increasing

slowed and profit-taking 1999, some analysts said. The believe that returns will be 1,062.89. mocked German stocks. strategy team at J.P. Morgan modest over the year, held The euro was also over-said they were "slightly back by weak corporate knocked German stocks. shadowed by the yen, which more positive" about Euro- earnings growth as inflation pean equity markets.



Source: I	FISE Internation	평			-		
	MONTH SUF	10 FUTURES	(LIFFE) Eculo	points of 1	00% -		
	Open	Sett price	Change	High	Low	Est. vol	Open Int.
Jan	-	96.810	+0.010	-	-	0	6
Jun	-	97.000	+0.015	-	-	0	2233
Sep	-	97.025	+0.030	-	-	Q.	1101
Dec	-	96.790	+0.065	•	•	0	865
■ TABLE Strike	NONTH FOR		(LIFFE) Eculor	points of 1		POTS -	
Price	Jan .	Feb	Mer Ji	un Jan	Feb	Mar	Jon
97900	0.005	0.015	0.035 0.1	60 0.12	0.135	0,155	9.160
97125	0	0	0.016	0.24	0.245	0.255	
Bt 40 to	esi, Casts û Pest	s O Previous	day's open int.,	Calls O Puts	0		
■ FISE I	EUBOTOP 180	DEDEK FUT	tires (Liffe)	Ecu20 per tu	f index poin	t .	
	Open	Sett price	Change	High	LOW	Est. vol	Open Int.
Mar	2850.0	2878.0	+46.0	2678.0	2829.0	580	6139

	25	00	25	50	26	00	26	50	27	00	27	50	28	00	25	50
	C	P	C	P	C	P	Ç	P	C	P	C	P	C	P	C	P
Jag .	358	5	310	6	263	8	214	12	189	17	119	26	81	39	60	60
Feb	395	33	353	41	311	49	272	59	234	72	188	87	166	105	137	127

DIREK	INDICES.	,ko	Dec		28/9	Ciano at	
	.)tae. 5	4	31	High	LOW .	Sinça str High	TQAL TOTAL
BJ Steet 50 DJ čero Str 50 MSCJ Europe Source: Extel/part	3604.67 (4)	3474.14 3542.99 1235.36 "Subject 1	(c) (c) (d) o revisio	3678.22 3658.48 1315.55 1 pect day.	2433.07 2419.23 906.59 (a) unexal	3670.22 3658.48 1315.56 side.	2433.07 2419.23 510.78
FTSE E	UROTOP	300					

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EXTRACTIVE REDUSTRIES

FOOD & DRUG RETAILERS

2.2 3.5 65 91.6 2.6 93.9 1.7 6.3 2.2 -1 +2 +48 +14 +28 +25 -1

7.69 13.91 294 19866 1,697.67 42.98 71.05

18.95 7,70 7,85 23.40

-4 175 -75 -75 +3 -8 +3

40.84 40.85 1.26 40.81 194 597.80 54 231,80

stays low."

growth, the likelihood of a shares rose 17.16 or 1.41 per talks with AirTouch of the bounce in Europe in the cent to 1,231.20, while the US, itself the target of an third quarter, mutual fund FTSE Eurotop 100 index rose offer from Bell Atlantic. The flows into mutual funds liquidity and accelerated 54.39 or 1.94 per cent to UK mobile operator rose investing in European share repurchases were 2,858.54. The FTSE Ebloc 100 €0.80 to €15.50, while the secthe hectic pace set on Mon-bourses is helping to causes for optimism, but index of euro-zone shares tor index climbed 3.82 per day on the euro's debut brighten the outlook for added: "However, we still rose 11.27 or 1.07 per cent to cent.

tinued about possible trans-

stays low.			шиеи	عياباللا	bosanı	e nama-
FTSE Actuari	es Sha	re inc	lices	F	uroneal	n series
Produced in conjun						
ian 5	_					
National & Regional	Buro	Dey's	change	Yield	제 44	Total retn
Markets	Index	*	points	gross %	yed	Œuro) €
TSE Eurotop 300	1231.20	+1.41	+17.16	2.21	0.07	1267.83
TSE Eurotop 100 TSE Ebioc 100	2858.54 1062.89	+1.94 +1.07	+54.39 +11.27	<u>2.23</u> 1.96	0.18 0.00	1024,73 1078,90
TSE EuroAdd	1169.24	+0.29	+3.36	2.83	0.08	1211.61
TSE EuroMêd Ebloc TSE EuroMêd Ex UK	1253.61 1257.29	+0.23 +0.24	+2.93 +2.96	2.24 2.17	0.00	1280.14 1280.57
			1000			1200001
TSE Eurolop 300 Region Surubloc	1328.24	+1.11	+14.53	1.91	0.00	1356.86
K	1092.95	+1.74	+18.72	2.75	0.21	1147.78
Surape Ex-Eurabiac Surape Ex-UK	1145.73 1310.02	+1.76 +1.26	+19.67 +16.29	2.55 1.96	0.15 0.00	1186.86 1334.53
TSE Eurokop kadautry Sa						· eq-Table
ESOURCES	871.10	+0.05	+0.46	3 <i>2</i> 7	0.00	B10.93
Aning	724.A2	-0.16	-1.13	4.70	0.00	739.72
N & Ges	844.40	+0.05	+0.51	3.21	0.00	864.84
MASIC INTRUSTRIES	1090.72	-0.74	-8.15	265	0.00	1113.92
Thermicals Construction & Bid Meals	861.50 923.32	-1.07 +0.63	-9.30	2.60	0.00	876.71 021 20
orestry & Paper	859.63	-1.10	+5.82 -8.53	249 3.57	0.00	931.30 698.94
EMERAL MOUSTRIALS	1119.17	+1.03	+11,40	2.53	0.00	1142.98
erospace & Defence	839.19	-3.07	-26.60	1.85	0.00	890.77
iveralised industrials Sectropic & Elect Equip	1040.93 971.88	-0.06	-0.87	1.92	0.00	1064.74
ingineering & Machinery	971.00 951.69	+1.52 +2.87	+14.58 +26.53	1.85 4.50	0.00 0.00	976.97 964.83
YCLICAL CONS GOODS	1306.18	+1.07	+13.86	2.51	0.00	1342.12
utomobiles	980.53	+0.84	+8,18	2.36	0.00	989.63
ousehold Goods & Texts	1199.36	+2.43	+28.50	3.39	0.00	1209.60
ON-CYC CONS GOODS	1274.54	+1.90	+23,77	1,41	0.00	1309.51
evenges	973.47	+2.45	+23.32	270	0.00	994.48
ood Producers & Process ealth	993.77 938.20	0.79 +0.58	-7.87 +5.18	1.54 5.91	0.00 0.00	1004.84 950.20
acitaging	773.45	-0.39	-3.00	1.16	0.00	774,41
ecsonal Care & Hise Prodis harmaceuticais	1227.10 1154.26	+1.47 +3.15	+17,74 +35,20	0.78 1.09	0.00 0.00	1237.58 1160.53
opacco	1245.50	+0.02	+0.20	3.70	0.00	1269,22
YCLICAL SERVICES	1218.61	+0.76	+9.20	2.47	0.37	1254.68
lairibetors	764.89	-1.79	-13.94	3.86	0.00	773.49
ieneral Refailers eleure Estertrot & Hotels	1060.34 789.60	+1.71 +1.67	+17.78 +14.47	293 253	1.06 6.02	1083.31 806.02
ledia & Photography	1030.07	+0.76	+14.47	221 221	0.00	1041.07
ests, Putis & Breweries	744.72	-2.18	-16.62	3.64	0.00	766.A7
upport Services ransport	1086.02 930.55	+1.12 -0.38	+12.06 -3.55	1,34 2,63	0.00 0.00	1097.54 947.71
ON-CYCLICAL SERVS	1314.58	+3.18	+40.47	1.53	0.00	1353.05
ood & Drug Retailers	1044.31	+0.55	+5.71	1.95	0.00	1060.25
elecommunications Sens	1292.83	+3.82	+47.55	1.44	0.00	1312.09
TILLTES	1531.59	+1,30	+19.62	2.66	0.02	1624.36
ectricity	1194.58	+2.06	+24.35	2.93	0.02	1232.84
as Distribution . Ister	1198.94 838.79	-0.02 -1.59	-0.23 -15 13	1.55 5.22	0.00	1320.10 963.17
ZUENCHIA	1328.10	+1.53	-15,13 +20,06	245	0.00	1364.36
suks	895.44			125		
anaca Sig	1062.46	+1.48 +1.76	+13,04 +18,61	3.25 1.28	0.00	908.17 1095.52
life Assurance	1235.21	+0.90	+10.96	1.56	0.00	1251.25
restment Compenies est Fetata	1030.99 656.56	+4.15	+41.06 +26.00	1,84 2 60	0.00	1055,72

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45 47 44

The banking sector also Telecommunications remained strong and the stocks were again a notable index rose nearly 1.5 per feature as speculation concent in anticipation of further consolidation this year Générale rose a further €7 to €157, UBS climbed €13.40 to €285.64, and Paribas added €2 to €84.25.

Pharmaceuticals stocks were in demand as analysts repeated their optimistic forecasts for the sector this year. Sanofi rose €9.40 to **€**160.40.

But high-flying software group SAP took a hammer-ing after posting disappointing results for 1998. Its

LOTTO	سجده			AGAII	Cay's	أنلم	One 200		There are		COMP. (MAN)	
Jan 5	·	Cleszic mid-point	क्षा कुछ (इज्जानेड	eprood eprood	Pidy -	igar _	Rate	SP4	(lade	MPA	Raip	N/A
Encope Encope					35.4810	34 8500	25 0954	-64	35.3950	-35	36,6421	-50
Carch Rep.	(A38C312)	34.9134		912 - 355	7.4531	7,4441	4535	-0.5	7.4536	-0.0	7 1999	-87
Derocark	(DKn	7,4431	-0.3017	453 - 528	126 780	223,945	205 5815	-7.9	330 522	-75	345.5110	-65
Greece	533	324 435		217 - 653	351 640	250 000	:51,7436	-145	38,8971	-130	ಚಾರ್.	-129
Haray	Fret	250,723	-0.5130	603 - 544		8 7500	9.8010	-51	9 (543)	-45	11 (555)	-33
Hornar	0904	೭.7534	-0.0839	553 - 575	8.833	4.0140					-	
Poland	1/2000	4,5241		177 - 305	1,0877	13136.50		-				
Rappania	ic.	131年23	-50.5400	693 · 152	13182 00	25,7876	_		-	-	-	-
Russa Aussa	Rode	26,5543	+16635	917 - 769	27 5246		- 1					
Streke	(Constant	42.6183	-0 1962	663 - 703	43.0700	42,7645	9.3962	-0.2	9,4004	-83	9 (313	-84
Seecen Seecen	rych de la constant d	9.3344	-0.6906	903 - 985	9 4525	9.3810	1,5056	22	1 6842	1.5	1.5379	15
Seetzestand	(SE1)	1,6116	-0.0029	108 - 124	1.6208	1,6051		-30	07167	-28	0.7282	-23
	(5)	0.7118	-0.0009	115 - 120	0.7160	Q.6135	0.7138	-70	91.0			
K	H	#1114										_
Americas	-	1 1792	_0.0016	780 - 783	1 1864	1.1756			•	•		
Argentona	Pesot	1.4240	_0.000A	235 - 245	1 4337	1 4204	•			-1.7	1 5229	-1.7
Bad	rRSP	1,7923	_0.0072	915 - 931	1.5065	1 7913	1.7951	-19	1 8001	-26.4	14.4544	-34
Caracta	CS)	11.5202	-0.0800	226 - 375	11,5204	11.5029	11 8023	-213	12,7905	-15	1 3916	-1.9
Marko	pher Peri	1.1784		762 - 785	1.1866	1.1758	1.1802	-1.8	1 1833	-I D	1 (010	-4.3
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acife/Mid		1 8945	_6.01.21	927 - 962	1.9017	1,6911	1.8966	-15	1.9015	-15	9 4124	-3.1
	(AS)	9 1287	_0m16	259 - 304	9 1827	9.1019	9 1432	-1.9	9 1756	-21	55.207	
Hong Kong	(HS)	50.1388		265 - 511	50,5278	49 9950	SI 4261	-69	51,0750	-7.5		-10.2
incia	(Ps)	20 1300		051 - 854	9400.00	9125.00	9536.27	-33.2	9985 3°	-304	11529.89	-743
indonesia.		4.6276	- 125 TO 1251 -	211 - 340	4,9039	4.8117		-		-:		
	(554)	131,516			135,100	130,600	131.1725	3.1	139.5601	29	127 9056	27
क्रम	(A)	44778		976 · 993	4 5218	4.4623				:		.:
	64S) 62/53	21921	-0 0306	904 - 938	2 2168	21807	2.1942	-1 1	2.1993	-13	2 2319	-18
New Zestand		44,6890		360 - 419	45,1501	44,4452	45,1291	-118	45.9267	-11.1	49 7946	-114
halippines	(Pesc)	4 4193		186 - 200	4,4505	4 4007	4.5774	-35	4 4599	-17	4 5794	-35
and Arabia	,574 ,553	1.9691	-0.010F	676 · 705	1.9719	1,9463	1.9884	1.6	1 9630	12	1 9601 7 6625	-12.7
ilogapore louth Africa	PSP AB	6.7962		894 · 029	6.9630	£.7609	6.8731	-136	7 0128	-127	1 (0523)	-127
	(Aljou) Austria	1372.19		025 - 413	1404.93	1369.93					~~ ~~	
oosto Korea		37.9252	_0 0086	909 - 555	38.3370	37.9550	37.9119	9.2	38.0681	-15	38.8352	-24
ladman Daadand	(TS)	42.5385	_0 1739	741 - 028	43.0185	42,4522	42,6476	-31	42,9068	-35	44.4390	-45
MENERAL SECTION SECTIO				273 - 287 webosy Franc	4.3350	4 3260	4 3358	-22	4.3509	-21	44345	-2.2

BONDS																			
NTEREST	DA.	TE S	AMA.	DC				-			EURO-ZON	E BO	INDS						
	Earc	÷Ε	Em Bd		E SE	ig Ask	SE SE	\$ #sk	Te Bid	e Ask	LONG LON	Red		SAP	Bid	6R	Chey's	Mizh's chige	Sprd
ER 05	聯	Ask	190	ASK.		rojr.					Jan 65	date	Соцоп	Rating	price	yield	710	yes	Gortz
year .	3.19	3.23	3.20	3.24	6.22	5.25	4.95	4.98	0.43	0.48	E SOVERBIGAS								
year	3.23	3 <i>2</i> 7 3 37	3.24 3.34	3.28 3.38	5.46 5.44	5.49 5.43	4.95 5.06	5.01 5.09	0.54 0.69	0.57 0.72	LIK.	01/01	4.250	AAA	101.985	3.24	-0.05	-0.23	+0.1
year	3.33 3.46	3.50	3.47	3.51	544	5.48	511	5.14	0.85	0.12	un. Denmark	01/02	4.750	AA+	103.990	3.33	-0.05	-0.13	-01
AGEL AGEL	3.61	3.65	3.62	366	5.43	5.47	5.16	5.19	1.01	1.04	Sweden	02/01	5.000	AA+	103.451	3.26	-0 05	+0.06	+0.1
Aga.	3.76	3.80	377	3.81	5.41	5.45	5.23	5.25	1.14	1.17	Greece	11/06	6.750	888	114,668	4 49	+0.03	-0 09	+09
ASS.	3.92	3.96	3.53	3.97	5.41	5.45	5.28	5.31	1.28	1.31									
year	4.08	4.12	4.09	4.13	5.41	5.45	5.33	5.36	1.41	1.44	SUPPLANATION					4.17	-0.04	-021	+0.5
year	4.21	4.25	4.22	4.26	5.41	5.45	5.39	5.42	1.53	1.56	ADB	10/07	5.500	AAA	109.595 108.268	3.92	+0.04	-0.17	+0.1
O year	4.30	4.34	4.31	4.35	5.41	5.45	5 44	5.47	1.55	1.68	9 8 _	04/08	5.000	AAA	110.578	3.32 4.35	+0.00	-0.15	+0.5
2 year	4.48	4.50	4.47	4.51	5.40	5.45	5.51	5.54	1.88	1.92	Burgina	12/09	5.625 7.125	AAA AAA	118.526	175	+0.01	+0.07	+4.3
5 year	455	469	4.65	4.70 4.90	5.39 5.38	5 45 5 45	5.52 5.71	5.65 5.69	2.13 2.34	2.17 2.39	World Sank	04/05	f.123	***	110.000		****		
O year	4.85	4.89 4.99	4.86 4.96	4.90 5.00	5.37	3.40 5.44	5.71	5.76	241	2.48	■ deruss .					•	-		
S year O year	4.95 5.02	5.06	5.03	5.07	5.36	544	571	5.70	248	2.53	EDF	10/03	3.750	n/a	101.081	3,50	-0.03	-0.16	+0.2
																		+6.08	+0.5
												02/03	4.750	AA.	103.558	3.60	-0.02		
in and ask rates a	× of ch	en of I	andre i	usiones	18 5	s quote	d arrus	none	actual	/980 basks	TEPCO Quebec Hydro	02/03 03/08	4.750 5.375	AA A+	105.954	4.57	+0.02	-0 10	+0.8
ti and ask rates a	s of ck	se of L	ondor i		US 5	l actual?	385 bes	بضحوم وا	a4 6 pag	360 basis nga Libor,	TEPCO								+0.8
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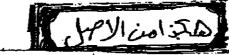
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Hopes of Japanese demand lift prices

BENCHMARK BONDS By Rahud Jacob in London and John Labate in New York

The expectation of a surge in Japanese investor demand for European government bonds helped boost prices in early trading as the first formal auction in the new currency got under way. However, some of the gains were lost to profit-taking in the late afternoon.

Spain got the government bond auctions started today and Germany and France also have auctions in the next few days.

Reports that Japanese institutional investors were getting ready to make large purchases of euro-denominated government bonds buoved sentiment early in

that the euro's solid start The price for the three-year

want to get in early and benefit from that," said Joanne Collins, senior economist

with Daiwa Europe. A report from a Japanese news agency yesterday said that Japan's seven largest life insurers were expected to buy Y1.500bn worth of euro-denominated bonds by the end of the current financial year on March 31.

portfolios has been expected for months, but the report adds greater credibility to earlier speculation. European government bond auctions got off to a good start. Spain sold €2.2bn

The juggitng of Japanese

and 30-year bonds yesterday. with allocation skewed to the long end of the curve. The Spanish auction

worth of three-year, 10-year

"There's a lot of optimism received very good demand.

will generate investment bonos was about 20 ticks from Asia and Japan. People above the market levels before the auction," said Carlos Ibanez, a bond strategist at Paribas.

> Germany's first bond auction in euros is planned at about 68bn of 10-year bonds committee meets this week. with a 3.75 per cent coupon. Bids are due this morning. Trading remained light,

said observers, a sign that banks are still treading water as they make sure their back office operations have made the transition to the euro smoothly. The switch has gone better than expected, but reports filtered out Tuesday of a few settle-

ment glitches. Turnover in the 10-year bund future was 318,000 con-400,000 last last year. "You'd expect a little bit

have a 10-year bund auc-

New international bond issues

UK gilt prices fell because of speculation that stronger than expected retail sales in the past few weeks might forestall hopes of an interest rate cut when the Bank of England's monetary policy

The 10-year gilt future fell by 0.39 to close at 119.25. Paribas forecasts that the euro-zone countries will issue a net €159bn of bonds in 1999. The arrival of European monetary union means that currency will no longer be a distinguishing factor in making investment deci-

Luca Jellinek, an economist at Parlbas, predicted that the focus will now shift to the credit standing of the estimated liquidity of the market. "To look at the more, especially when you credit standing of governments is no longer enough,"

ments are focusing on adding 10-year and 30-year issues to increase liquidity.

US Treasuries weakened for the second consecutive day ahead of a Treasury bill auction and as the yen continued to gain ground against the dollar.

By early afternoon the benchmark 30-year bond had lost ¼ to 100∰, sending the yield higher to 5.214 per Among shorter-term issues

1001, yielding 4.608 per cent, and the 10-year note slid 🖺 to 1001, yielding 4.745 per For the second day running, a morning rally in US

the two-year note fell & to

suries under pressure. The US Treasury was

equities helped put Trea-

expected to auction \$10bn in 52-week bills during the

develop screen system

By Nikki Tait in Chicago

Bill Brodsky, chairman of the Chicago Board Options Exchange, confirmed yesterday that the world's biggest options market plans to develop a fully screen-based trading system as a "hedge" against future competition from new automated rivals.

Mr Brodsky said that no electronic system currently available was capable of handling the 4m quotes a day the CBOE could typically see. He said the current aim was to have the technology available "sometime in

2000".

He said that the CBOE had held discussions with various parties about collaborat ing on the development, but there had been no commitments to date. One or more partners would be "not nec-

essary but helpful". The CBOE chairman also revealed that David Brennan, the new chairman of the Chicago Board of Trade, the largest futures market, had already visited CBOE.

Mr Brennan, who took up his appointment this week, has criticised certain aspects of the CBOT's planned alliance with Eurex, the largest European futures exchange and some members of the US futures exchange have suggested that a closer technology alliance with CBOE which is on the CBOT's doorstep - might be more

Under the proposed link-up with Eurex, to which the CBOT board is still formally committed, the two futures exchanges would disseminate each other's products, and collaborate on developing a new electronic

fruitful.

NEWS DIGEST

en steals show

SOVEREIGN RATINGS

South Korea upgraded to positive outlook by S&P

Standard & Poor's has become the third international ratings agency to upgrade its outlook for South Korea. which now looks set to be the first victim of Asia's economic melidown to regain investment grade status. The agency cited the "remarkable progress Korea has made over the past year in addressing its economic crisis" in revising its outlook from stable to positive. It reaffirmed its current ratings on the country's short and long-term debt in foreign and local currencies. South Korea's sovereign ratings are one notch below investment grade.

Moody's Investors Service and Fitch IBCA upgraded their outlooks for South Korea's ratings in late December. South Korean officials expect ratings upgrades in the next few months, but said that the agencies required further proof of reform in the corporate and banking sectors. S&P pointed to a healthy current account surplus, high foreign exchange reserves and sweeping reforms, including the recent agreement to sell Korea First Bank to foreign investors, as proof of Korea's reform credentials.

The move farined the already soaring stock market, which closed up 1.9 per cent. Three-year corporate bond yields fell sharply. Analysts said rating upgrades would entice foreign investment. "It opens us up to a whole new class of potential investors who are now barred from investing in anything below investment grade," said H. Jin Lee, analyst with Samsung Securities, John Larkin, Secul

DERIVATIVES

AEX plans electronic trading

Amsterdam Exchanges (AEX), operator of the Dutch securitles markets, intends this year to develop an electronic trading system for some of its derivative products. Options dealings have remained largely conducted by open outcry, a system defended by George Möller, AEX president, as better able to ensure liquidity at times of market turmoil. But he told exchange members on Monday night that "out of strategic considerations, screen trading on the options bourse needs to come within reach in the future".

Tie-ups being planned among European secunties markets "create new challenges for the stock exchange as well as for the options bourse and in clearing. It is of great importance that we enter all those co-operation links from as strong a starting point as possible." Most neighbouring derivatives markets are fully screen-based.

After a troubled start, the AEX last year introduced an

electronic order book for derivatives as part of a trading support system called Switch. Volume in futures and options rose 30 per cent in 1998 to 65m contracts. Dutch options traders are at the same time developing their own international links, as evidenced yesterday when Van der one of the largest, said it was buying 80 per cent iladelphia options Cramb. Amsterdam

Free Style

Ford 10-year raises \$2.3bn

NEW ISSUES By Edward Luce,

Capital Markets Editor

The international bond markets maintained their converting their positions lively pace yesterday with a number of large dollar offerings. The markets had been buoyed by a rally in both ings including in euros," cash spreads and swap said one. spreads since the start of the week. Swap spreads in fiveyear dollars tightened by about 10 basis points to 64

basis points since Monday. Nevertheless, syndicate at 108 basis points over the officials pointed out that the Treasury benchmark. healthy pace of new issues

the first time monthly vol-ume had exceeded \$100bn. Bankers say some large

investors, including central banks, will remain preoccu pied with the logistics of into the euro this week. "By next week we should

Ford Motor Credit led the way yesterday with a \$2.3bn 10-year offering increased from the initially planned \$1.5bn. The deal was priced

Fannie Mae is also planfell short of the deluge that ning its first benchmark

)-year	offering	of	\$3bn	to
ibn top	lay.			
The E		Torre	and be	~~+

6.51 8.81 11 58

6.63 13.51 8.29 10.28

-0.10 -0.06 -0.07 -0.09

+3.56 +4.66 +3.32 +5.25

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■ STERLENG			·. ··			Er Marilla i	
Abbey Nati Tray Services CANADIAN DOLLARS	250	5.25	99.616R	Jan 2004	0.275R	+90(8%Nov04)	Salomon Smith Barney
GE Capital Canada	100	5.00(I)	99.85R	Feb 2004	0.25R	+22(514Sep03)	TD Securities
N AUSTRALIAN DOLLARS						- 11	
New Sth Wales Tray Corp	100	5.00	98,39	Feb 2009	2.00		TD Securities
III DRACHMA							
Inti Finance Corpig) POLISH ZLOTYS	15bn	6.50	101,22	Jan 2002	1.50		RBC DC Global Markets
FRROM	200	10.50	00 650	.lan 2001	0.1250		IP Momen/TD Securities

days accrued, e) Spread relates to French OAT. f) Fungible with £1.0228bn. Plus 237 days accrued. Spread re Blunds, g) D/20bn launched on Monday increased to D/35bn. h) All payments in £1, Each £282 board conventible into Vivendi shares on 1.1 basis. Callable from 1/1/1/2 subject to 115% hundle at par. Greenshoe: £200m. f) Long 1st coupon, s) Short 1st coupon.

Bank also joined the fray offering to take advantage of earlier spread of 73 basis has become customary at note of the year with a with a \$1bn five-year offer- strong demand for high qual-

points over the five-year

the start of each year. Last 10-year offering of \$3bn tyear, international offerings \$4bn today.	DaimlerChrysler added at a yield spread of 69 basis	Treasury. trading platform. CBOT liquidity was strong members are due to vote on	Moolen, one of the largest, said it was buying 80 per cent of Tague Securities Corporation, a Philadelphia options
topped \$100bn in January, The European Investmen WORLD BOND PRICES	t \$100m to last month's debut points compared with the	across most maturities. I the alliance this month.	specialist and market-maker. Gordon Cramb, Amsterdam
:	DOLD CITUDES AND OPTIONS	Fue	INTERNATIONAL PONDS
BENCHMARK GOVERNMENT BONDS Red Bid Bid Day eing Wit ship Month Year Jam 5 Date Coupon Prica Yield yield yield style style yield yield yield yield yield yield yield yield yi	BOND FUTURES AND OPTIONS France	EURO E EURO BOND FUTURES (MATIF) €100,000	INTERNATIONAL BONDS
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01/08 5.000 107.9900 3.930.13 -0.20 -1; Delglace 01/00 4.000 100.8000 3.09 +0.05 -0.07 -0.18 -1;	5 III LONG TERM EURO SOND OPTIONS MATTE	Dey's Men's Sprid Red S & P Bid Bad chase chose v	Suebec 01/07 7.000 A+ 107.3024 5.85 +0.01 +0.20 +1.17 Citicorp FRN 02/04 5.312 AA- 94.8472 6.50 +0.01 +0.11 +1.89
Carada \ 1200 5.000 100.4800 3.97 +0.01 -0.10 -0.17 -1.	- Sirike CALLS PUTS ⁵ Poice Feb Mar - Feb Mar -	Jam 4 delte Coupa Railing price yield yid yid Govts 16 UYBLINES	MERINO CS Sayer L-Bk 08/04 8,500 AAA 119.8790 5.29 -0.04 +0.11 +0.18
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11407 7.000 121.2800 4.08 -0.01 -0.18 -0.27 -1.4 Financi 0600 4.000 101.2160 3.11 -0.01 +0.46 +0.23 -0.4	3 111 1.56 1.97 - 0.19 0.51 - 3 112 0.94 1.32 - 0.47 0.55 -	CWE 0508 8.00 888 115.0975 5.87 +0.03 -0.02 +1.19	Declarche B FFN 09/02 5.675 AA+ 101.6591 5.37 -0.04 +0.13 +0.34 (IL EURO: 2
Prance 07/00 4.000 101.0090 3.91 +0.01 -0.13 -0.27 -1.4	<u>. </u>	BECC 05/07 8.75 AAA 121.1253 5.55 +0.03 -0.01 +0.87 Base One 08/02 7.25 A 105.1548 5.63 +0.01 +0.21 +5.63	EB 12/07 7.625 AAA 117.9515 5.07 -0.04 -0.27 +0.64 Dresdner Bk 12/07 7.750 AA- 112.0896 5.96 -0.04 -0.44 +1.53
1005 7.750 125.1800 3.51 -0.03 -0.07 -0.14 -1./ 1008 8.500 138.0800 3.77 +0.01 -0.13 -0.27 -1./ 0478 5.500 113.8200 4.65 -0.02 -0.11 -0.17 -1./	M NOTICEAL CORNAIN BURIO PUTERES OTTO RIASSO DOD 1000- of 100%	CHA Par 01/18 8.95 A- 95.5340 7.24 +0.08 -0.25 +2.09	Brillish Gast 03/00 7.625 A+ 107.8306 6.00 -0.03 +0.03 +0.00 Albbey Het FRN 02/02 7.136 AA 100.1157 4.64 -0.05 -0.13 -0.06
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19K 11/01 7.000 105.5200 4.74 +0.04 -0.02 -0.10 -1.9 12/03 0.500 102.3400 4.37 +0.06 -0.07 -0.17 -1.8 10/08 9.000 136.5600 4.32 +0.03 -0.08 -0.31 -1.8	Open Sett price Change High Low Est, vol Open lat,	5 Over 15 years (4) 285.66 -0.11. 1.73 0.00 1601.40 11.89 4.37 22.2 8 Intellementation (4) 333.42 -0.28 2.36 0.00 1831.38 23.66 4.51 0.77 7 All stocks (44) 186.00 -0.16 2.00 0.13 1361.86 6.99 4.42 1.00	9
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98,023 5,259 102,2851 4,89 +0,94 - +0,25 -0,8 95,05 105,9897 4,82 +0,05 -0,08 +0,14 -0,8 98,78 5,500 102,9666 5,00 +0,05 +0,09 +0,15 -0,5	II ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFTS) Lit2200s 100fts of 100%	5 yrs 4.48 4.43 6.36 hred † 4.51 4.49 6.25 10 yrs 4.37 4.34 6.17 hred † 4.51 4.49 6.25 15 yrs 4.38 4.36 6.13 hred 15 yrs 4.39 4.37 6.14	Up to 5 yrs 2.54 3.42 2.52 3.71 2.06 3.44 2.05 2.96 Over 5 yrs 2.15 13.11 2.12 3.16 1.95 13.21 1.93 2.95 5-15 yrs 2.19 9.84 2.17 3.25 1.92 9.89 1.90 2.94
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10 YEAR BENCHMARK SPREADS Spread Spread Spread Spread Spread Spread Spread		\$800. Seec. (US) 118.25 118.45 115.98 115.53 115.36 109.00 116.45 93.31	The state of the s
Staf vs. vg. Bld, vs. v Jam 5 Yield Euros 7-Bonds Yield Euros 7-Bond	Spain ·	O FISE International Ltd 1999, All rights reported. * for 1998/M9, Environment Securities bigh since compilation: 127 100: Sovermannet Securities 15/19/28 and Flood Internet 1528, DE artifully facilizes relumned 1974.	40 (1.003), Nov. 49 18 (1.0075). Fixed interest high shoes complishen: 161 02 (9/18/90), Nov. 50.23 (1/1/73), Bosco
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Greece 6.26 +2.42 +1.53 US 4.73 +0.89 Indiana 395 +0.11 -0.78 Source interactive DataFT intermentals 289 3.91 +0.07 -0.82 Continue (order Catalog New York Catalog).	IN NOTIONAL 5 YEAR GILT FUTURES (LEFE) £100,000 100ms of 100% Cost Suttrice Crange High Low Est vol Cost int.	Treat Fig Ratio 1999 - 100.0389 -0.048 100.25 100.0	134.950 -2736 134.93 127.40 22;95 W
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Day's Mith's Som	M NOTIONAL UK GILT FUTURES (LFFE) \$100,000 1808s of 100%	Teas 7-pc 2008 6.23 4.43 Trees 11 4pc 2003 − 7 → 9.25 4.71	120,3971 - 3295 120,64 107,77 2 ¹ 256 11
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Crossia 02/62 7 000 858- 93,647 9.38 +0.67 -1.78 +4.77 Poland 07/04 7.125 858- 106,1658 5.77 -0.27 -0.51 +1.16	" LFFE Interes also tracked on AFT AR Open Interest Sign. are for previous day. IN LINES GALT FUTURES GETTORS & FFTS ETOLOGO 100Mbs of 100%	Trees 130c 2000 11.57 5.10 111.4039 -0220 114.63 116.59 Trees 8pc 2008 6.09 4.25	136,8599 - 3850 137,26 121,29 42-pc 30(135,1) 1.91 1.97 186,7560 - 7906 186,96 140,85 131,8620 - 3865, 177,66 117,00
Russia 06/07 10.000 t/a 26,9864 41.78 -3.54 +0.84 +37.06	Softer Feb Mar Apr Feb Mar Apr	Trees Pig Rate 2001 = 100,8075 +0075 100,82 100,17 Press 54pc 2009 5.07 4.21 Trees 10pc 2001 6.09 4.89 1,90,229 -0587 110.35 107.11 Trees 64pc 2010 5.23 4.21 Trees 10pc 2001 6.95 50710 100820-1 0587 120.90 407 1008 001 12 2011 6.77 4.834	113.5516 - 3265 113.66 99.36 117.3623 - 3427 117.62 99.97 Propositive repl resiscoption rate on projected (Mission of (1) 5% grid (5) 3%.
Aggerdina 09/27 9.750 56 91.6000 10.69 -0.12 -0.38 +5.53 Beats 05/27 10.125 58- 71.5505 14.26 -0.21 -0.39 +9.10	11999 1.75 1.13 1.51 0.50 1.26 1.26 11980 0.50 0.90 1.26 0.75 1.15 1.51	Tours 700 2001 660 674 100 9118 - 1164 100 10 21 Tel- 81-0- 2000 10	140 to 140 to 140 to 140 to 160 to 16
Mexico 05/26 11.500 88 109.7500 10.41 -0.11 -0.57 +5.27	12600 0.32 0.70 1.05 1.07 1.45 1.80 Est vol. lotal, Culb 2502 Para S. Province day's agen let., Culb 2507 Para 5799	Core 10pc 2002 \$ 8.63 4.67 175.9157 - 1573 176.35 170.98 Tests 74pc 2012-15 5.67 4.50	137.9422 - 2251 135.17 116.09 1996 1644 131.9778 - 4317 132.41 112.74
Culna 07/06 7.750 888+ 103/5123 7.10 +0.00 -0.77 +2.44 Philippines 10/16 8.750 88+ 97/8942 9.01 +0.01 -0.50 +4.11		Comm 97-pc 2002 # 8.26 4.70 115:0447 -1573 115.07 108.79 One-PRison Years 1868 94 107 115:047 108.79 108.79 One-PRison Years 1868 94 107 108.97 -1573 115.18 108.87 One-PRison Years 1868 94 2070 # 175.78 108.87 10	Other Fixed Interest
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UK Indices 1184.23 15.31 1398.67 84.69 1305.62 43.38 1483.82 41.31 1388.98 100.00 3.44 13.21 9.89 16.80 11.68 2.05 1.93 1.90 1.94 1.93 High" Low 6.41 137.25 157.84 115.3; ¹ 02 697.8990, low 50.33 (347.75), Besse -1518 198 18 198.72 -1518 206.40 194.72 -1768 207.93 192.34 -1655 134.08 192.34 -3814 233.97 206.93 -5465 215.48 187.06 -6422 239.52 185.94 -5751 192.15 182.40 -7694 212.07 175.36 -7283 240.78 170.21 -8550 182.75 142.98 -7906 180.95 140.85 109.53 114.61 129.03 88.90 125.67 112.54 -5972 -0925 -0925 -3000 -3000 85.92 78.68 95.68 61.47 95.47 95.47 94.52 100.63 110.60 117.36 90.17

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VATIVES

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I plans electronic trading

Yen steals show as euro drifts on by

MARKETS REPORT By Alan Beattie

The yen chose the euro's omy, he said. second day to make an He declined to comment strong as it is."

rose almost to the Y110 level united in their assertion that movement is highly quesversus the dollar in the the yen's strength reflected tionable," he added. "A lot of consolidated to close in London at Y111.6.

said they had not seen the recovering economy. Bank of Japan buying dolThis is not the first time
The rise in Japanese real
The euro sank with the lars in the market to halt the that Mr Sakakibara has long-term interest rates has dollar in a way familiar to rise of the yen, but that a made these comments, said now completely negated the Robin Marshall, chief econostained move below Y110 Robin Marshall, chief econowould almost certainly see mist at Chase Manhattan in ernment's fiscal stimulus," some intervention.

Mr Sakakibara, the vice POUND IN NEW YORK minister for international Jan 5 minister for international 2 spot affairs known as "Mr Yen", 2 spot tried to put a brave face on 1 and 3 min the currency's move, saying 1 known 1 kno that it reflected the relative

positions of the US and Japanese economies. The weak-

unwelcome bid for the lime on the specific level of the repatriation of Japanese cap- value of the currency.

But currency analysts out- Japanese economy. The Japanese currency side Japan were almost Asian trading session, then oversupply in the Japanese yen bears have been caught government bond (JGB) mar-Most market participants bond yields rather than a nerve, this is a splendid dol-

ness of the dollar arose from ments between him and the the "bubble-like" US econ- Bank of Japan. Not everyone is happy that the yen is as

Mr Marshall said that the light yesterday, surging up dollar against the yen, often yen's rise was entirely against the dollar as rising taken as evidence that he caused by short-term capital bond yields encouraged the was content with the current movements, not the fundamental performance of the

"The sustainability of this out by the sudden fall of the ket and consequent rising dollar. But if you have the lar buying opportunity."

ernment's fiscal stimulus, the yen at Y131.5. Against said Michael Rosenberg, the dollar it barely moved, head of fixed income research at Merrill Lynch in New York. "And short of monetising the government's from central banks switchdebt, there does not appear to be anything the Bank of new currency may not be as

. 124 __ that the Taiwanese monetary authority now holds 30 euros, having throughout 120 _ 1998 raised the share of euro -118 _ zone currencies from 25 per cent at the end of 1997.

But Ray Attrill, of economic consultancy 4Cast in London, said that he suspected that the rise in 1998 was larger than the report suggested. "It would be very 1998 - Jan 99 Nov unusual for a central bank who targetted its currency against the dollar to hold a Japan can do about it." quarter of its reserves in another currency," he said. Mr Attrill said his sources

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

11.6776 +0.0753 761 - 791
34.2943 +0.0450 229 - 385
6.3216 +0.000 152 - 240
5.0469 +0.0073 60 - 655
5.6668 +0.0022 536 - 600
275.330 -1.9300 180 - 400
1.6622 -0.0022 936 - 600
275.330 -0.0020 934
164.230 +2.1530 300 - 341
164.230 +2.1530 300 - 341
1.6724 -0.0025 345 - 385
1.6724 -0.0025 345 - 385
1.7724 -0.0026 370 - 730
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-8.0001 996 - 998 +0.0013 082 - 087 -0.0041 205 - 215 -0.0550 800 - 900

1.5077 -0.0032 064 - 090
7.7470 +0.0005 465 - 475
42.5500 -0.0008 450 - 500
7.875.00 -125.0000 500 - 500
4.0969 -0.0362 919 - 018
111.510 -1.9391 500 - 500
3.0000 -0.000
1.3803 -0.0225 591 - 615
3.75250 -0.6225 000 - 500
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5.7575 -0.1113 625 - 725
1164.50 -27.7500 300 - 600
32.1850 +0.0359 500 - 100
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IN OTHER CURRENCIES

11.6220 34.2400 6.327. 5.9490 5.5697 1.9510 276.349 1843.50 34.2400 1.8705 7.4953 1.3705 141.240 8.0253 1.3650 1.1845

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42.5220 42.5220 42.7263
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112.370 110,530 111,14
3.8000 3.9000 1.8751 1.8525 1.8634
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Est. vol Open int.

59,561 60,218 59,285

493,396 401,531

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M VS TREASURY BELL FUTURES (MAA) Sim par 100%

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Strike Price

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veterans of the D-Mark/yen

rate, closing down against

ing their reserves into the

The Commercial Times in central bank buying of euro-Taiwan reported yesterday zone currency assets in 1998 was larger than many imag-

> euro assets by Asian central banks has already taken place, this could reduce the support for the new currency early in 1998.

He added that non-Euro pean central banks increasing the euro portion of their portfolios could be offset by conversion of the estimated \$35-45bn in euros held by euro-zone central banks. "These euro holdings, which were mainly D-Marks before the launch of the new cur rency, are now useless as

central banker I would convert them into dollars as fast as possible before finance ministers start eveing them up as a source of income," he added.

3.00 1.00 4.50 # \$ LIBOR BBA London ined, helping to explain the interbenk Fixing US Dollar COs Euro Linked Ds SDR Linked Ds BBA Euro Libor weakness of the dollar in the second half of last year. If some of the switch into Berry Euribor

INTERNATIONAL CURRENCY RATES 31 · 31 44 · 35 54 · 64 5 · 66 44 · 45

3% - 3% 41 - 38 6% - 8 11 - 11 5 - 48 5 - 48 6 - 5 2% - 1% 34 · 34 44 · 35 55 · 55 15 · 15 42 · 45 5 · 44 5 · 44 25 · 15 Caradian Dollar US Dollar reserves," said Mr Attrill.
"And if I were a euro-zone

High 96.89 97.01 Lour 96.87 96.99 Est. vol Open lat. 6,520 22,315 3,045 26,543 Setz prices Change High 98.810 +0.010 98.810 97.000 +0.015 97.010 97.025 +0.030 97.035 96.790 +0.065 96.735 LOW Est. vol Open lett. 96.805 96.810 96.985 97.000 97.000 97.025 96.725 96.790 Three annoths One year IP Magan Rate NPA Rate NPA Jacks 11.6238 1.8
5.0048 1.1
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5.0248 1.5
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1.8222 1.8
1.9031 -1.9
1835.63 1.8
1.8516 1.8
7.468 -27
1803.55 1.8
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1,9551 1.8 1.9 1033 1.9 1037 1.2 1068 1.9 124 1.9 1068 1.9 1069 -4.5 82.2 -1.9 78.2 1.9 1037 1.9 1037 1.9 1031 1.9 77.3 1.5 78.6 3.3 107.3 0.4 98.6 11.4572 33.5679 6.2446 4.9508 5.4617 1.6285 1.525 1672.17 33.5579 7.561 166.925 1.3221 1.5492 1.3221 BY CHE MONTH SURGINARY FUTURES (LFFE!" DM3ch points of 100% Sett price Change High Open Sett price Change High Low Est voi Open int. 96.870 96.880 +0.005 96.890 98.870 97.000 97.000 +0.015 97.010 97.000 97.020 +0.025 97.030 97.020 96.790 96.770 243849 70793 42891 41197 IN THREE MONTH EURO SWISS FRANC FUTURES (LIFTE) STring points of 100% Ctumpe High Low +0.060 98.490 98.400 +0.050 98.390 98.290 +0.060 98.280 98.240 +0.070 97.890 97.860 98.410 98.470 98.310 98.360 98.240 98.260 97.870 97.880

E MONTH EUROYEN PUTURES (LIFFE) Y100m points of 100% Sett price Change Open Int. 1/2 1/2 1/2 M THREE MONTH BURN PUTURES (LIFTE) Equing points of 100%

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CROSS RATES AND DERIVATIVES **EXCHANGE CROSS RATES** 5.463 21.72 2.988 11.76 3.360 13.36 1.127 4.481 2.798 11.13 0.114 0.453 1 3.977 497.0 412.5 23.29 269.1 223.4 12.61 305.8 253.7 14.32 102.5 85.07 4.003 254.6 217.3 11.93 10.35 8.593 0.485 90.97 75.50 4.083 4.848 1.952 4800 2.625 1.057 2599 2.962 1.201 2952 1 0.403 990.0 2.483 1 2459 0.101 0.041 100 0.888 0.357 878.6 3.995 2.164 2.457 0.824 2.045 1.765 0.955 1.086 0.364 0.904 0.037 0.323 2.921 1.582 1.796 0.603 1.498 0.061 0.535 326.0 2.479 176.6 1.342 200.5 1.525 67.24 0.511 167.0 1.270 16.26 4.848 1.952 8.806 2.626 1.057 10 2.982 1.201 3.354 1 0.403 18.47 16.26 10 8.806 11.36 10 3.809 3.354 9.458 8.329 0.385 0.339 3.380 2.977 2.406 2.732 0.916 2.276 0.093 0.813 0.485 0.083 4.263 0.731 0.052 0.454 1 2.515 1.089 1.324 2,346 1.367 3.096 1.230 1.870 1.876 2.204 90.97 /5-30 229.6 189.9 100 82.98 120.5 100 213.4 177.1 124.4 103.2 281.7 233.8 111.9 92.83 170.1 141.2 152.4 128.5 200.5 186.4 2,977 7,485 3,272 3,942 6,982 4,070 9,215 3,580 5,567 4,988 6,560 0.357 0.859 0.473 0.838 0.489 1.106 0.439 0.668 0.559 0.788 46.03 20.12 24.24 42.94 25.03 56.57 22.51 34.23 30.67 40.34 8.500 3.718 4.477 7.929 4.622 10.47 4.156 6.322 5.664 7.449 2.232 0.976 1.175 2.082 1.214 2.748 1.091 1.680 1.487 1.958 2209 965.8 1164 2061 1201 2720 1080 1643 1472 1936 1.835 0.812 0.804 0.355 0.969 0.428 1.716 0.758 1 0.442 2.264 1 0.899 0.397 1.368 0.604 1.225 0.541 1.612 0.712 150.1 1.141 65.60 0.499 79.04 0.601 140.0 1.064 81.60 0.621 184.8 1.405 73.38 0.558 111.8 0.849 100 0.760 131.5 1 10 4.371 5.267 9.328 5.438 12.31 4.890 7.437 6.883 10.72 4.686 5.646 10 5.829 13.20 5.242 7.973 7.143 9.394 0.812 0.255 0.428 0.758 0.442 1 0.397 0.804 0.541 2.045 0.894 1.977 1.908 1.112 2.518 1 1.521 1.363 1.792 0.588 0.708 1.254 0.731 1.656 0.657 1 0.896

D-MARK FUTURE	Lebest	Change	High	Lów	Est. vol	Open int.		Open	Laint	Change	High.	Low	Est. vo
Mar 0.607		-0.0021	0.8075	0.8045	15.872	64.562	Mer	0.9004	D.9078	+0.9067	0.9137	0.8982	18,980
jimar 0.608		-0.0016	0.6061	0.6078	14	1,284	.lun	0.9188	0.9188	+0.0071	0.9195	0.9188	42
Sep -	0.6126	-0.0010	-	. =	16	138	Sep	0.9310	0.9303	+0.0082	0.9310	0.9303	3
SWESS FRANC RU	TURES (NIA) S	Fr 125,000	per SFT				# STERLE	NG FUTURES	(1884) 262,5	00 per 2		_	
Mar 0.736	0.7963	-0.0003	0.7384	0.7352	8,947	27,179	Mar	1,6568	1.6524	-0.0010	1.8576	1.8500	5,447
Jun -	0.7428		_	_	8	389	Jun	-	1.6498	-0.0012	1.6530	1.6498	11
Sep -	0.7485	-0.0003	-	-	1	321	Sep	-	1.6504	-	-	-	260
UK INTER	באוו ונא	ILO					EMS	EUROPI	EAN C	URREN	CY UN	lit ra	TES
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LONDON M	Over-	ATES 7 days notice	. One	Three months	Six Teograths	One			s again		on day -2.45		7 10
		7 days	month 6% - 6%	months S% - 6	months 5% - 5%	year 53 - 53	Jan 5	nde	s again 109	st Esmo €	on day	Cara. rate	
,ten 6 	Over- right	7 days notice 6§ - 5%	6% - 6% 6% - 6%	6% - 5 6½ - 5	months	25 - 25 25 - 25	Jan 5 ·	353. 7,48	s again 109	at Euro € 324.70	on day -2.45	-8.05	V W0
Jan 6 Interpret Sterling	Over- right	7 days notice 6§ - 5%	6% - 61 61 - 6% 6 - 5%	5% - 5 5½ - 5½ 5½ - 5½	months 5% - 5%	year 53 - 53	Jan 5 Grence Dunmark	353. 7,48	s again 109 038	at Euro € 324.70	on day -2.45	-8.05	V W0
Jan 6 Interpark Sterling Sterling CDs	Over- night 6¼ - 2	7 days notice 6§ - 5%	6% - 6% 6% - 6% 6 - 5% 5% - 5%	5% - 6 6½ - 5½ 5¼ - 5½ 5% - 5½	5% - 5% 5% - 5%	- 경 - 경 원 - 경	Jan 5 Grence Dunceark NON BRM UK	7853. 7,46 M2MBCFS 0,853	109 038 644 (St Euro € 324.70 7.4495 0.71220 mion. Cammun	-2.45 -0.0006 -0.0011	-8.05 -0.15	₹ 1860 0
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The Seoul Asia Index Trust **International Depositary Receipts**

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1,000 Units in the Trust

NOTICE IS HEREBY GIVEN to Unitholders that Secul Asia Index Trust, managed by Citizens Investment Trust Management & Securities Co, Ltd, Secul, CITC has decided, according to the terms & conditions of the Trust Deed, to terminate the Trust. The details are as follows:

1) The NAME of Trust: Secul Asia Index Trust (SAIT). 2) The Reason for Trust Termination:

Under 1 sub-clause, 3 Clause, Article 30 of The Trust Deed *On March 31, 1994 or any date thereefter, if such date the aggregate Net Asset Value of the Trust Fund shall be less than the equivalent in Won of U.S.\$20,000,000°, We CITC, shall terminate Seoul Asia index Trust (SAIT) by Notice. 3) contexts of Notices.

a) Notice of The Trust Termination: Refer to No 2, The Trust shall

o) Notice DATE OF The Trust Termination: January 6, 1969 c) The effective DATE OF The Trust Termination: April 6, 1999. (The Termination is to take effect which date shall not be less than three months after the service of notice) The manager: Citizens Investment Trust Management Co. Ltd.

Chase Manhettan Bank Lustembourg S.A. 5 Rue Plastis, Luxembourg Grund, L-2338 Luxembourg

DEPOSITARY AGENTS Tranity Tower

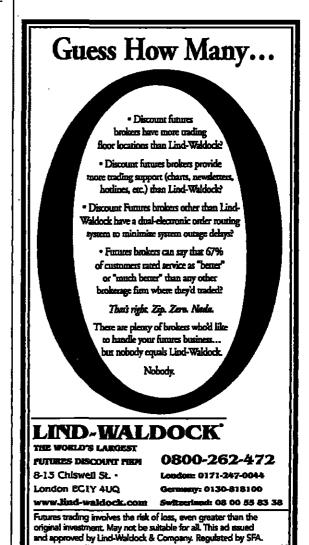
The Chase Manhattan Bank 34-35 Chung-dong Choong-ku, Secul London £19YT

Corponete Trust Administration otech Center, 3rd Floor, Brooklyn, New York 11245, U.S.A 63 Rue du Rhône, CH-1204 Geneva, Switzerient Chase Manhattan Bank Luxembourg S.A.

FT

"Great Minds"

Providing the





THE SOUTH AFRICAN BREWERIES LIMITED

RESULTS OF SHAREHOLDERS' MEETINGS

Further to the SAB circular dated 14 December 1998 (the "circular") regarding a restructuring of the SAB group in order to achieve a primary listing on the London Stock Exchange (the "transaction"), a combined general meeting of SAB shareholders and separate class meetings of SAB preference shareholders were held on 5 January 1999.

All of the special and ordinary resolutions required to implement the transaction and to convert and redeem the SAB preference shares were passed by the requisite majority of shareholders at these meetings.

Subject to the fulfilment of the remaining conditions precedent as set out in the circular, it is still expected that the last day to register as an ordinary shareholder of SAB in order to participate in the transaction will be 5 March 1999.

Johannesburg 5 January 1999

Brazilian coffee **exports** jump

By Paul Solman

Brazil's coffee exports rose more than 50 per cent in November, according to latest figures from the International Coffee Organisation.

Exports from the world's largest coffee producer reached about 1.9m 60kg bags, compared with 1.2m bags in November 1997, the result of the year's record

Colombia, the second largest producer, also increased its exports in November by almost 20 per cent year-onyear to more than 1m bags.

The ICO report showed a sharp drop in exports from central American coffee growers. However, analysts said the figures reflected seasonal variations rather than any impact from Hurricane Mitch, which swent through the region at the end of October, killing thousands and destroying crops.

"Lower figures from central America were to be expected at the tail-end of the 1997/98 season," one analyst said yesterday. "Any effects from Hurricane Mitch are likely to show up in export data later in the season. Local figures suggest exports are not being hit at the moment"

Honduras, which suffered the most severe crop damage from Hurricane Mitch, increased its exports during the first three months of the 1998/99 coffee season, which began in October.

Exports from October to December were 437,000 46kg bags against 397,000 bags in the same period of the previous season, Honduras said this week.

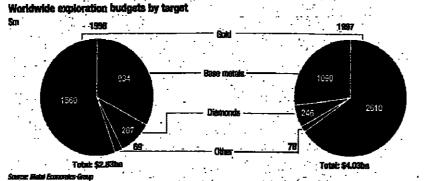
Among the big Asian producers, the ICO said Indonesia increased its coffee exports in November to 413,000 60kg bags from 290,000 the year before, while Vietnam's overseas sales were down to 552,000 bags from 814,000 in 1997.

Gold accounts for most exploration spending

Gold still accounted for the lion's share of mining companies' worldwide exploration expenditure in 1998, but it was a much smaller bite of sharply reduced total.

Moreover, the largest companies have been minimising their spending on exploration, according to Metals Economics Group, the Canadian consultancy.

This was partly because the main companies have been able to buy control of promising prospects found by smaller companies very cheaply, because of the share price falls of the "junior" companies after the



Bre-X scandal that rocked cent (\$1.56bn) of total 1998 Base metals took 33 per cent the industry in 1997. MEG's Strategic Report estimates that gold almost 65 per cent (\$2.6bn) of accounted for only 55 per a total of \$4.03bn in 1997. consultancy had already

\$2.83bn. This compares with

exploration spending of (\$934m) compared with 27 per cent (\$1.09bn) in 1997. An earlier report from the

shown that total spending was roughly a third down on the year, and that Latin America was the most popular area, with Africa jostling Australia for second place.

Diamond exploration spending was the only type to show an absolute increase as well as a percentage one: it accounted for 9.4 per cent of the total (\$267m) against 6.1 per cent (\$246m).

MEG says this is because De Beers, the big South African company, operates a stockpiling policy that has kept prices relatively resiland because of some recent exploration successes involving companies other

Once again most base metal spending went on copper, but its share of the base metal total was down: 59 per cent (\$552m) against almost 63 per cent (\$687m) in 1997.

Unlike gold, the proportion of total base metal spending on exploration rose sharply. in percentage terms. The absolute figure was only slightly down at \$496m compared with \$504m, but as a percentage it increased to more than 40 per cent, after sticking at about 28 per cent for the three previous years. Strategic Report from Metals Economics Group, PO Box 2206. Halifax, Nova Scotia B3J 3C4, Canada. US\$1,500 a

Ms Flores says Panama is

working daily" on resolving

the access issue for bananas

greatly in favour of the

growing diversification.

which also encompasses

more production of non-

traditional fruits such as

"We need to look for alter-

natives. We cannot sit back

melons and pineapples.

be solved," she says.

Futures trading volumes up on IPF

MARKETS REPORT By Robert Corzine and Gillian O'Connor

Frading volumes in energy futures on London's International Petroleum Exchange rose by a third last year as a result of the extreme volatil. ity in oil prices.

Brent Crude futures. which accounted for 70 per cent of the volume traded averaged just under a record 54,000 lots a day. Trading is gas oil futures was up 25 per cent, while volumes in the UK natural gas contract, aunched last January, rose iteadily over the year.

The uncertain oil price outlook, which drove trading last year, was evident again yesterday. In late trading, he beliwether February Brent contract was down 26 cents at \$10.70 a barrel.

Several metal prices touched fresh lows on the London Metal Exchange: copper hit an Il'-year low, while aluminium and zinc hit five-year lows. Traders blamed further selling by investment funds, but analysts at Macquarie say it is the fundamentals causing the price collapse.

They say that changes in LME warehouse stocks, one of the most reliable indicators of market surplus or deficit, point to a continuing deterioration in fundamen tals for most metals, with aluminium, copper and nickel all recording substantial increases in stocks. Only zinc continues to look in rel atively good shape.

Prices had recovered by the close, with three-month copper just above \$1,440 a

On the bullion market, platinum eased slightly, because traders had already anticipated the settlement of the two-week strike at South African Anglo American Platinum Corporation, the world's largest producer.

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3.75

Panama sees a future in fish

With recent technology upgrades seafood has overtaken bananas as the country's top export, says James Wilson

ne theory says Pana-"abundance of fish" in one of the languages spoken there before the Spanish conquest. Now it may be set to recapture that reputation while losing another tag that of banana republic.

Bananas have long been the staple of Panama's limited range of exports, but latest figures show seafood overtaking bananas as the country's top export earner. In the first nine months of 1998, exports of shrimp and shrimp larvae alone were worth \$106m compared with \$98m for bananas.

True, banana production was hit by a two-month strike, which wiped out a large chunk of the crop from one big plantation and led to a 27 per cent fall in sales. Production is expected to rebound in 1999, with the plantation's owners, an offshoot of US company Chiquita, spending \$35m to overcome the effects of the

Furthermore, Panama's deep sea fishermen were ma's banana commission, is temporarily helped - for a optimistic that a resolution

MI GOLD COMEX (100 Troy az.; S/troy az.)

change - by El Niño, the drove fish stocks into their waters from more inhospitable climes further south. But the present situation

reflects a longer-term trend - strong growth in seafood, especially shrimp, and stagnation in the banana sector - that shows how Panama's exports are influenced by the different treatment meted out to the products by importing countries.

While seafood exporters say their produce is relatively easy to place, banana exports are being affected by a wrangle with the Europe Union over its treatment of Latin American bananas.

Panama is one of five banana growing countries, together with the US, that won a World Trade Organisation judgment against the EU for the way it restricted imports from Latin America, to protect banana production in former British and French colonies in Africa and the Caribbean

Rodolfo Espino, of Pana-

GRAINS AND OIL SEEDS

78,40 +0.80 78,25 78,00 79,50 +0.50 79,50 79,25 81,50 +0.65 81,50 81,10 83,50 +0.70 83,25 83,00

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MI WHEAT LIFFE (100 toxnes; £ per toxne)

of the dispute will improve Chiquita has plans to plant 4.000 extra hectares of the fruit. But the argument over access to the EU is dragging on and until it is resolved. Latin American bananas will continue to have problems finding a way on to the European market.

Panama has been hit hard by the EU regime, as production has switched to countries with either their own quotas, such as Costa Rica or Colombia, or where labour is cheaper than in Panama's dollar economy.

ts exports to the EU fell by 40 per cent between 1992 and 1997, from 36.5m boxes to 22m. Germany, which bought nearly 24m boxes in 1992, last year bought only 4m. Panama has slumped to fifth among exporters to the EU from second at the start of the decade. Exports to other regions

for this drastic drying up. Sales to the US have grown from 2.5m boxes to more than 11m in the same period.

SOFTS



But overall export volumes are down nearly 20 per cent from a few years ago. No such problems have

affected seafood producers. especially those in the business of cultivating shrimp in tanks. Panama claims to be Latin America's fourth largest producer of farmed shrimp and the leader in exports of shrimp larvae. Shrimp export sales in the

first nine months of 1998 were up 48 per cent, while have compensated in part sales of larvae rose 84 per cent. Fish sales have grown too and total seafood exports had reached more than \$135m by October.

+9 1386 1358 5,529 36,222 +10 1407 1330 926 17,706 +10 1428 1404 152 5,866 +10 1445 1433 127 4,396 +11 1486 1470 423 5,622

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878 12,258 1777 1,528 1778 12,121 182 1,113 18,521 78,381

■ COFFEE 'C' CSCE (37,500ths; cents/fbs)

IN WHITE SUGAR LIFFE (50 tomes: \$/torne)

Juan Bulnes, president of tute, says that points to even the seafood exporters' associ- more exports. "There is a big ation, says the country is market in the US and we see reaping the benefits of a big future in it," he says. upgrades in technology in The US buys 80 per cent of recent years. "We have been preparing in a sustained way," be says.

The seafood sector is likely to grow strongly. Many salt but says the country is production plants in coastal areas, which have abandoned the struggle to compete with cheaper imports, can be converted into shrimp farms, according to Laura Flores, Panama's deputy foreign trade minister.

Ricardo Tuñon, of Pana- and wait for the problem to ma's Foreign Trade Insti-

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44.050 +1.275 44.250 42.600 821 44.050 +0.750 44.675 43.160 81 45.700 +1.200 46.200 45.050 42 47.800 +1.175 47.500 48.400 20

III PORK BELLES CIKE (40,000ths; cents/fbs)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

\$124-126 \$100-103 \$56-60 \$106-108 \$114-117

10.250

EL CRUDE CEL FOB (per barrel)

uicsel II natural gas percette

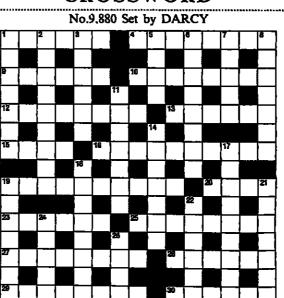
MEAT AND LIVESTOCK

LIVE CATTLE CIME (40,000lbs; cents/fbs)

JOTTER PAD

For solutions to today's crossword call 0891 4300 Calls cost 50p a minute.

CROSSWORD



sounding more offensive

4 Deceitful - in fact, owed thrashing! (3-5) Allowed to accompany part

of the military band (6) Criticise excellent article. offering to put everything right? (8) 7 down Ironic language – popular type of insolence

(6-2-5) 13, 23 Station book-shop? (6,5) 15, 20 Salad - as a rule, the French put in lettuce first (4-4)
16 Has no good role to play,

following the Strand? (10) Set menu offered for consideration by eager European (5,5) 20 See 15 24, 25 acro 23 See 13 ance re 25 See 24 down item (5 27 I row first, taking girl 26 See 11

may embrace a deity? (6) 29 Corruptly Cook lent Tory (8) 30 Nearly there, with time to

find a room (6) DOWN 1 Desperate - it's tied up in foreign currency (7) 2 Campaign demanding bet-

It's a wonderful sight."

girl-friend, as bubbly as can be! (8)

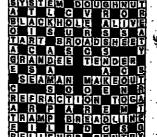
See 12 across 8 Little room for specific 11, 26 Rhymes article included

are suitable (4,3,4) 14 See 5

around '51 (9)
18 Mark out bed, scattering seed about (8) 19 Type of suit, one creating

21 Guarantee conflict over 22 Son has to act the yes-man, writing in a hurry (6)
24, 25 across Immediate insurance required for philatelic

item (5-3,5)



COMMODITIES PRICES BASE METALS Precious Metals continued LONDON METAL EXCHANGE ded Metal Tradinol RIM, 99.7 PURITY (5 per tonne 12125-3.5 M ALIMERORSH ALLOY & per tonner Kerb close Open int. Total daily turnover 8,849 2,788

Previous
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Total daily temover 480-81 37,433 8,371 ME NUCKER, IS per tonne Close Previous High/low AM Official 3855-65 Karb close Open int. Total daily surnover III TIRK (\$ per tonne Close Previous High/low AM Official Karb close Open Ind. Total dally turn 5010-20 5120-30 5010-15 5125-30 5090-100 20,225 9,328 **II** ZINC, special high grade (S per toune) Close Previous High/low AM Official Kerb close Open int. Total daily term 917-17.5 899.5-900.5 903-4 899-900 916.5-17 0 927-8 88,619 30,764

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1435-36

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1.960 -0.008 2.075 1.960 29.964 64.350 1.965 -0.068 2.055 1.960 9.966 27,879 1.960 -0.043 2.010 1.946 5.698 20.305 1.965 -0.035 2.000 1.950 2.941 3.559 53,888221,910 NYMEX (42,000 US gatis.: e/US gatis.) 38,70 -0.82 37.75 36.50 11.593 34.239 37.95 -0.50 33.75 37.65 4,025 11,698 41.00 -0.60 41.80 40.95 905 14,891 41.75 -0.75 42.70 41,75 563 13,027 42.50 -0.60 43.60 42.75 10.025 10,329 42.80 -0.30 43.60 42.75 10.025 10,329

217.25 +2.50 218.00 215.00 23,428183,031 223.50 +2.00 224.50 221.25 6.255 56,380 229.50 +1.50 230.00 228.00 5,192 61,812 225.50 +0.50 238.25 234.75 337 14,405 241.75 +1.00 242.25 240.50 1,336 29,186 +1.00 249.25 248.00 191 2,092 35,654 349,159 551.25 +5.50 550.00 541.00 6,195 14.80 551.25 +5.25 552.00 542.50 21,346 92,114 557.00 +5.50 557.75 550.00 2,404 19,734 562.50 +5.50 562.75 554.00 1,565 23,958 563.00 +1.25 562.75 593.50 300 5,675 561.90 +4.00 563.25 559.25 280 1,338 SOYABEAN OFL COT (60,000/bs: cents/to) 21.43 +0.28 23.48 23.15 2.853 2.872 23.63 +0.24 23.72 23.33 8.083 54.631 23.65 +0.22 23.94 23.66 2.102 19.313 24.05 +0.22 24.14 23.90 481 17.897 24.10 +0.17 24.20 23.85 22 4.449 24.18 +0.18 24.20 24.10 221 2.956 24.10 24.1 250.0 331.9 341.0 351.0 85.0 795 825 920 810 910

-0.3 144.0 141.7 4,544 14,828 -0.2 141.7 139.9 5,778 44,701 +0.1 143.2 141.8 1,505 17,438 +0.7 145.8 143.3 1,125 18,998 +0.5 147.4 145.5 239 4,591 +0.2 148.5 148.8 289 4,728 13,608 111,908

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Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CST, NYCE, CSCS, and FE Crude Od are one day in arreass. Volume & Open Interest totals are for all traded months. INDICES MR Reuters (Base: 18/9/31 = 100)

■ CRB Futures (Base: 1967 = 100) 9ec 31 191 22 month ago 132.33 +2.375 -775 +216 +175 +85

102.25 +2.55 102.50 100.00 1,839 914 104.90 +2.30 105.50 102.50 2,883 15,864 106.00 +2.00 106.30 103.90 140 3,250 105.00 +1.95 106.50 106.10 19 2,83 105.55 +1.70 - 2 2,840 108.05 +1.45 - 7 539 Gold (per troy ca) \$
Silver (per troy ca) \$ Copper
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Tin (flew York)
Cattle (five weight)
Sheep (five weight)
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FT MANAGED FUNDS SERVICE OFFSHORE Volumes & **AND OVERSEAS** Section Funds National Unit 11 May 1 BERMUDA (FSA RECOGNISED) For Galaxies Right see Importer Granus Right The New Taipel Pend Ltd \$17,0348 Marille Alliandia Management Co 32 St Harry at Hill, London Exposure 5 Coulon Managad 5 Incana 7 5 Vacal America 5 Acade Growth 5 Facale Growth 5 Herald Insentanous Fi Basic of Ceptron Street

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B GUERNSEY (REGULATED)(***) Designation of the Control of the Co for the all light street four file yes when files BERMUDA Joseph Marchan (*)

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Grant Plans 2 II C 199 **F7.**2 CAYMAN ISLANDS Section 2 Marie 1 Production Constraint **GUERNSEY** (PSA RECOGNESED) possens, bestormen Land Austrian Fund
Mills Strom Simpson Acrest Highest
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11 National Abresses
State Street Global Uniter Rank Investment Sarvices

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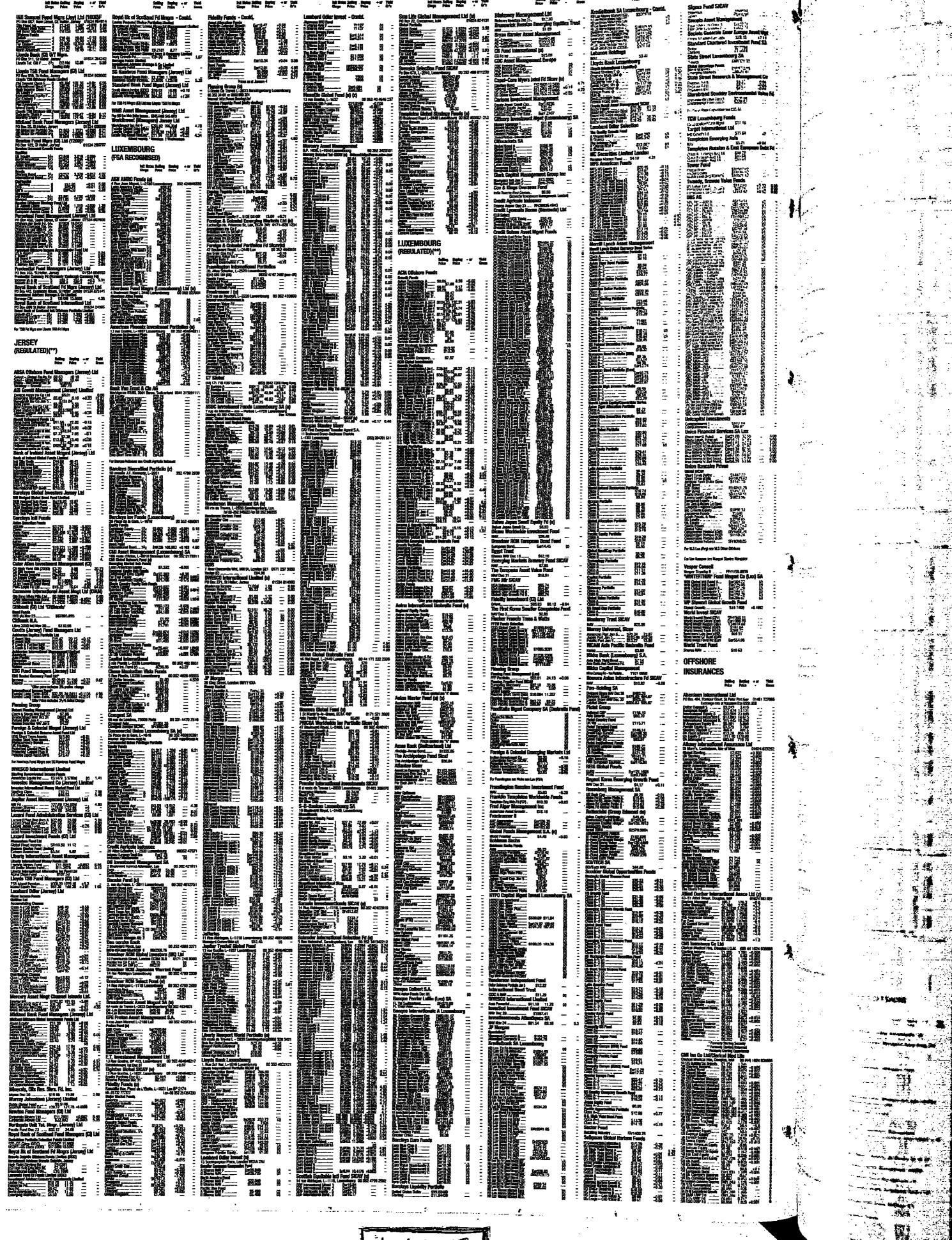
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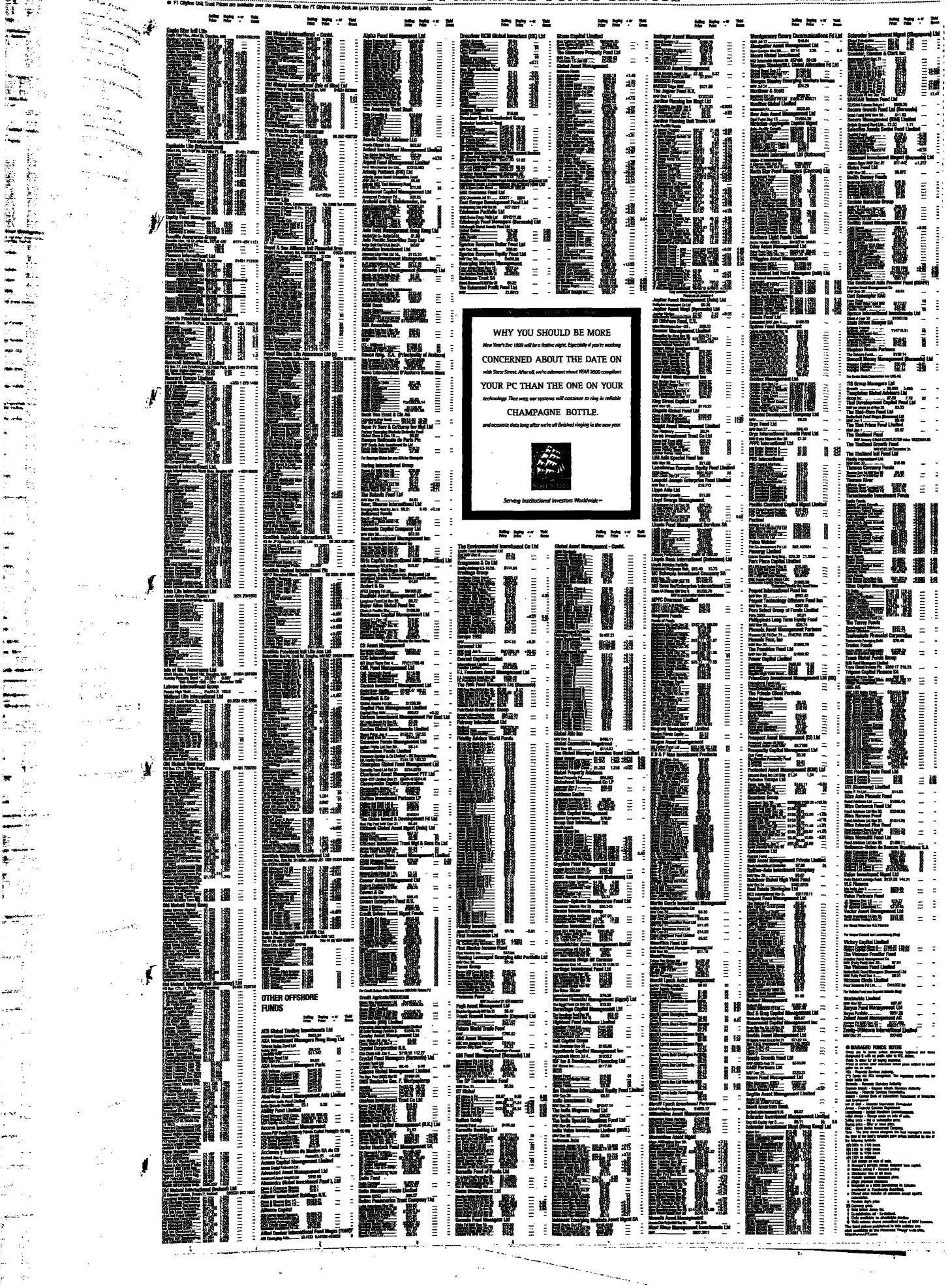
CROSSWORD

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ه کذا من الاحل

ه تنامن الاصل



England's Central South Coast Region

Wednesday April 14

| 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 | 1985 |

| 10 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |

以外,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们是一个人,我们也不是一个人,我们也不会一个人,我们也不会一个人,我们也不会一个人,我们也不是一个人,

| 18.1 | 20.7 | 20.0 | 20.7 | 20.5 | 20.7 | 20.5 | 20.7 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 | 20.5 |

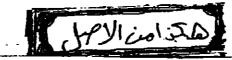
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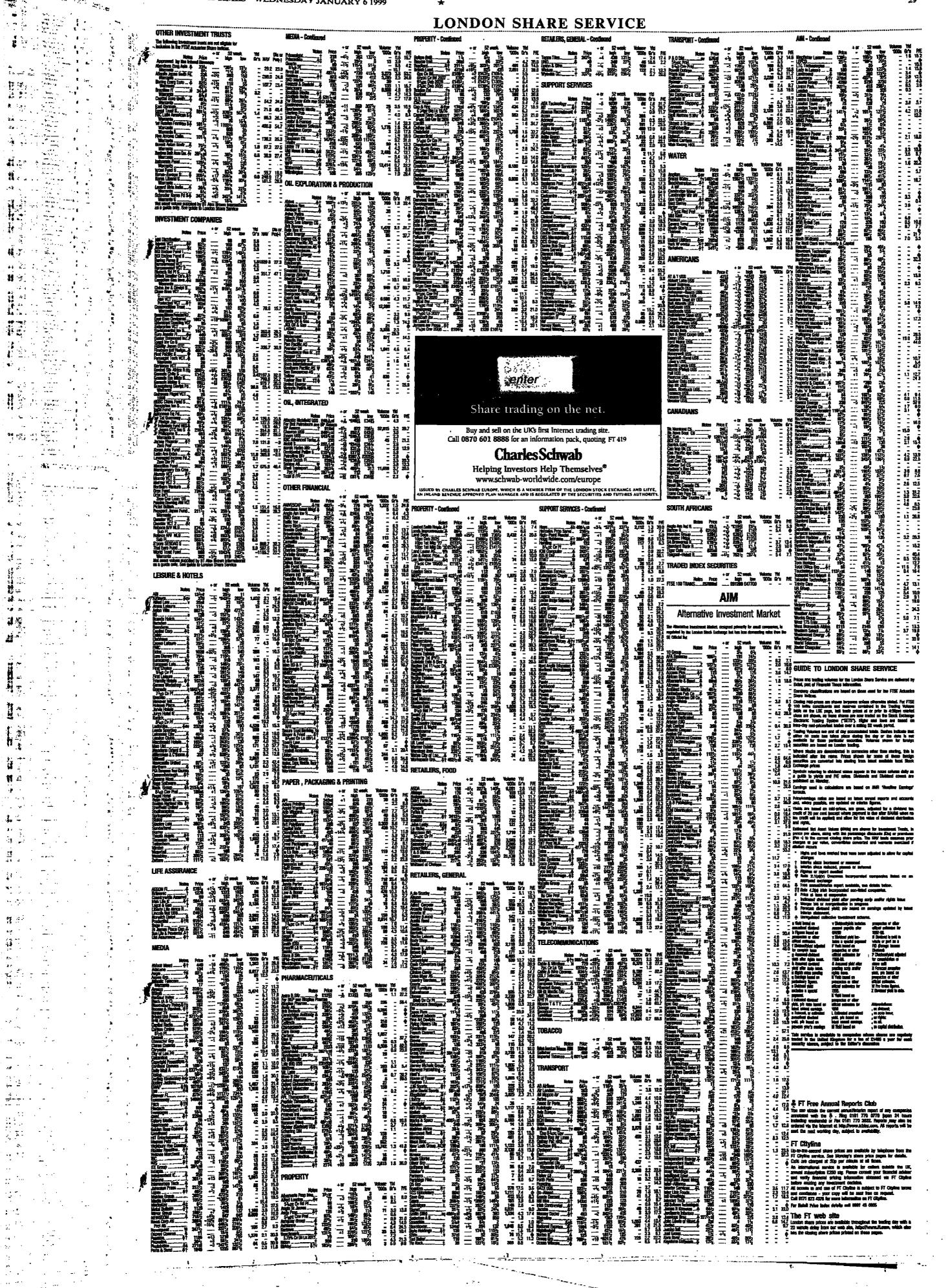
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第至每回分割当代的组织的表面

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LONDON STOCK EXCHANGE

Takeover and merger talk invigorates equities

MARKET REPORT By Steve Thompson UK Stock Market Editor

A fresh burst of takeover and merger speculation in many of the London equity market's most important areas, notably telecoms and pharmaceuticals, helped UK stocks to make rapid progress vesterday.

Confirmation in the early afternoon that Vodafone, the cellular phones group, is holding merger discussions with AirTouch Communications of the US provided an added impetus.

Vodafone

AirTouch

races for

COMPANIES REPORT

and Martin Brice

By Joel Kibazo, Peter John

Dealers and investors were

busy looking for signs of fur-

ther bid activity in telecoms

after Vodafone Group con-

firmed it had joined the race

The move had been pre-

dicted in the market, having

been raised by AirTouch

more than two years ago. It was also highlighted last

August by Paul Ryb and

Steve Jobber at Paribas.

However, the UK group cau-

tioned there could be no

assurance about a deal being

reached. AirTouch is already

in merger talks with US

Although Vodafone and

AirTouch have long been

seen as a "natural fit", there

was disappointment in some

quarters that the UK group

had not made its move

before. "The question is,

why didn't Vodafone launch

this bid earlier instead of

waiting to do it now. This is

now a bidding war and I see

it paying around \$50bn to

win control" said one sector

Followers of the stock

were also eagerly awaiting

details of the financing of a

merger. Analysts said they

company Bell Atlantic.

sector last year, on a mix Zeneca merger with Astra of ture of takeover possibilities plus explosive growth in ful merger talks between mobile phone use. Telecom stocks occupied

the FTSE 100 performance table yesterday, led by Telewest Communications and Colt Telecom. Vodafone was the third best. BT and Securicor, which

control Cellnet, the UK's second biggest cellular phone company, were also prominent, as was Orange. Pharmaceuticals were a to the new year.

close second in the 1998 per-

Chris Godsmark at Hen-

and AirTouch] getting

together are extremely com-

pelling, but we need to see

the financing before we can

unequivocally back the deal.

We want to see the cost

savings that can be reaped

But the prospect of mak-

ing an acquisition did little

Vodafone, which reported

bumper Christmas period

subscriber data on Monday.

for US group AirTouch Com- The shares hit an all-time before profit-takers moved

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STOCK MARKET TRADING DATA

to dampen enthusiasm for

from the merger."

FT 30 INDEX

III Landon market data

Rises and falls*

mall cash component.

expected an offer to be made high, closing 61% up at

derson Crosthwaite said: again saw buyers rush to

The benefits of [Vodafone buy shares in 1998's best per-

up of a rights issue with a £11.10% after trade of 11m.

market's best performing fuelled by the proposed Sweden and the unsuccess-Glaxo Wellcome and Smith-Kline Beecham. Drug stocks six out of the top 10 places in shot up yesterday in the wake of reports that Glazo Wellcome could well inter-

vene in the proposed Zeneca/

Astra merger by launching a

counter bid for the former. The flurry of bid stories, which were not confined to telecoms and drug stocks. enabled London to shake off Monday's disappointing start Some dealers were also

The favourable data and

consolidation hopes once

forming sector. Telewest

Communications was the

day's best performer in the

FTSE 100 after it advanced

19% or 10.5 per cent to 205p.

It was followed by Colt Tele-

com, which rose 84 to £10.37.

Orange was also in demand,

the shares closing 3314 up at

828p, a record for the stock.

British Telecom, by far the

biggest stock in the sector,

briefly surged above the £10

barrier for the first time

Jan 5 Jan 4 Dec 30 Dec 29 Dec 24 Yrago 116gh 1Low

3555.4 3509.2 3551.3 3574.9 3533.6 3391.2 4004.9 2790.8 2.98 2.94 2.93 2.90 2.93 3.31 4.22 2.77 23.17 22.84 22.89 23.12 22.87 21.93 25.41 15.80

Jan 5 Jan 4 Dec 30 Dec 29 Dec 24 Yr ago

25.359

20,359 1195.2 20,335 298.7 3,402 629.6 146.5

4.0

35,290 1557.9 31,923 396.9 35,031 1769.8 438.7

LIFFE Equity options

16,193 62,627 1017.7 776.3 17,786 28,618 286.0 n/a 19,343

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293 290 293 22.89 23.12 22.87

8 10 11 12 13 14 15 16 High Low 3509.2 3522.8 3524.0 3516.7 3524.4 3523.1 3542.2 3549.8 3599.3 3506.0

75,751

52 Week higher and longs

two-day meeting finishes into pockets of profit-taking. tomorrow. An announcement on rates will be made at noon.

ous three committee meet- ingended. ings, taking rates down 125 basis points in the process. At the close, the FTSE 100 was 78.8 higher at 5,958.2, ahead at its best, shortly maker. after the announcement of

0ct

49% ahead at 988%p.

welter of speculation.

Zeneca speculation

the drug company was some-

how planning a spoiler of

the proposed merger

There was also the return

of suggestions it might make

another approach to Smith-

Kline Beecham. The com-

pany was set to link with

Smithkline last year, but the

merger foundered because of

SmithKline saw heavy

turnover of 13m shares but

neither story sat easily with

Glaxo's share price perfor-

Some analysts suggested

its gain was linked to safe-

haven buying. Pharmaceuti-

cals groups offer visible and

steady earnings growth at a

time when profits are under

a boardroom ego clash.

between Astra and Zeneca.

in. The shares still finished

Glaxo Wellcome, described

by one trader as the most

expensive drugs company in

the world, rose more than a

pound yesterday as the sec-

tor continued to attract a

Best and worst performing FTSE sectors

The Dow Jones Industrial Average built confidently on its opening gains and was Interest rates have been more than 90 points higher cut after each of the previ- an hour after London trad-"The Vodafone news was

~ on Monday it looked as if the pre-Christmas run was having been 100 points over," said one market-

.Oct .

pressure

80 to £27.74.

The shares jumped 104 or 5 vide a £600m-plus paper gain

£405m_

per cent to £22.33, a rise ini- on a complex investment

tially linked to rumours that two and a half years ago.

elsewhere

Elsewhere. SmithKline

A rise in National Grid

combined with a stock

exchange announcement

provided a reminder of an

of some profit-taking.

astute deal and the prospect

The shares gained 9% to

In 1996, Suliman Olayan,

the long-term investor who

buys minority stakes in

undervalued businesses

where he admires the man-

agement, effectively bought

210m shares from Hanson for

1921/sp for the 12.5 per cent

stake, which he then hedged

in a derivatives deal carried

out by the broking arm of

Yesterday, HSBC Invest-

ment Bank notified National

Grid of its continuing inter-

ests in 11.6 per cent of the

A profits warning from

software giant SAP took the

shine off many highly rated

information technology

Group was off 81/2 at 320 p.

stocks. London Bridge Software fell almost 4 per cent, or 47% to £12.40, while FI

HSBC Securities.

electricity group.

The Saudi financier paid

489%p and at that level pro-

lifted 33% to 887p and Zeneca

Telecoms was the London formance table, with gains beginning to get more optithe Vodafone/AirTouch also perked up after a rather narket's best performing fuelled by the proposed mistic about the chances of merger talks and as Wall sluggish start. The FTSE 250 the Bank of England's mone- Street made rapid early closed 19.2 higher at 4.870.2 tary policy committee voting progress. But just as it and was lifted by strong perfor another reduction in UK looked set to challenge the formances by property interest rates when its 6,000 mark, the Footsie ran stocks, which were being pushed by CSFB, the stockbroker. The second-liners were also being driven ahead by takeover rumblings, especially in Mirror Group and

> The FTSE SmallCap, meanwhile, extended its good showing, moving up just what the market needed another 6.9 to 2,089.7. Turnover was a healthy 963m shares with FTSE 100

Racal Electronics.

stocks accounting for over 54 per cent of the total. The other FTSE indices

> February. York in The warning from SAP was highlighted by the IT team at Dresdner Kleinwort Benson, which told clients: "Investors are likely to face a period of increased volatility ahead of year 2000 issues. As the Y2K problem falls away, IT budget spend will

Dresdner highlighted the stocks most likely to benefit as Misys, Sage and Logica. Logica closed off 21/2 at 528½p, while Sage rose 32½ to £16.02%n.

ICI lost another 17% to close at 474\%p in reaction to the company's failure to sell its Tioxide paints division. Disposal would have reduced the company's £4bn

debt burden 15 per cent and given some hope of a marginally brighter future. On Monday, ICI had attempted to put a brave face on the sale collapse and

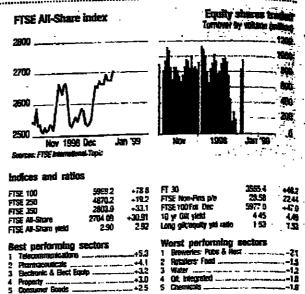
pointed to a big restructuring within the division. But analysts said yesterday that the company desperately needed some big disposal news if it was to tackle the debt problem. One sector specialist said

the shares were dead money at least until the figures in early February.

Burmah Castrol moved forward 10 to 885p with support from Crédit Lyonnais Securities. The company moved into chemicals last year and the broker's chemicals specialist initiated coverage with a weighty 'buy' nmendation

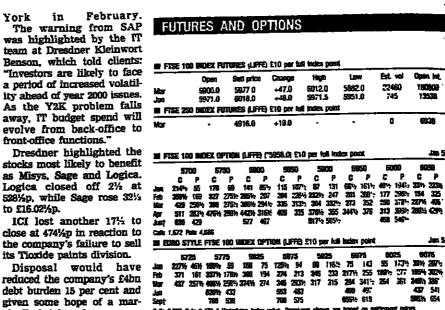
Crédit Lyonnais highlights the benefits of the impending £250m share buy-back and believes the shares are worth at least £10.50 on a 12-month view.

However, volumes in the CSFB, a long term bear of the property sector, turned falling stocks were low, while some shrugged off the buyer yesterday. CSFB pareffect of SAP's warning to ticularly favours MEPC, Ameter (11) chalk up an advance. Misys which gained 16% to 422%p, gained 12% to 476%p ahead and Hammerson, 18% ahead of an analysts' trip to New at 372p.



一有機械力運動が行うない めと 動物の一般物をないたでは、強くないのかけのできたことになるのでは、大きなのでは、大きなのできたのでは、大きなのでは、大きなのでは、大きなのでは、大きなのでは、大きなので

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_	FP,		95%		Abbey Nasi Dublin	911-	-1	-	-	_	
6	FP.	35.2	1184		BFS Crisess Inc	1174		Hv12.65	-	10.8	
9	F.P.	3.38	86%		Do Cap	84!:	+5	-	-	-	
	FP.	5.88	1175		†Chaptol	1171:0		-		_	
ş	F.P.	B.16	117		Collective Assets Tst	117		-	-	_	35.
730	F.P.		265		Franciel Object	355	+15	_	_		3
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-	F.P.	الت	15		Jeann Marada	137		144	~-	••	

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									_
FTSE GOLD	MI	IES I	NDE)	X		•			
		% chg on day	Jan 1	Year ago	Gross div yield %	Total return	52 w High	eek Ljee	
Gold Mines Index (25) III Regional Indices	946.57	1.3	934.49	1017.39	1,90	(EÚS)	1351.57	701.5B	
Africa (9) Australagia (9) American (11)	1008.91 1198.75 888.59	25	1166.71	1071.10 1145.85 993.39	248	1018.27 1205.30 890.32	1488.04 1600 53 1317.41	765.63 815.93 647.69	

TRADING VOLUME

Financial Times Surveys

The Bank of England announces the Issue by Her Majesty's Freesury of euro 1,000 million nominal of UK Government Furo Treesur tills, for auction on a bid-yield basis on Tuesday, 12 January 1999. An the Bank of England for the account of the Exchange Equalisa

AUCTION NOTICE

UK GÖVERNMENT EURO

TREASURY BILLS

For auction on 12 January 1999

2. The Bills to be issued by auction will be dated 14 January 1999 and euro 500 million of Euro Bills for maturity on 15 April 1999 and euro 300 million of Euro Bills for maturity on 15 July 1999.

3. The auctions will be open to anyone who wishes to apply. All applications must be made on the printed application forms available on request from the Bank of England or, in the case of the market makers listed in the Bill Information Memorandum (as supplemented), by telephone. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on Tuesday, 12 January 1999. Payment for Bills allotted will be due on Thursday, 14 January 1999.

4. Each application at each yield for each maturity must be made on Applications above this minimum must be in multiples of euro 100,000

Applications must be made on a yield basis (calcula of the actual number of days to maturity and a year of 360 days) rounded to two decimal places. Each application form must state the maturity date of the Bills for which application is made, the yield bid and the mount applied for.

6. Notification will be despatched on the day of the auction to applicants whose applications have been accepted in whole or in part. For applicants who have requested credit of Bills in global form to their account with Euroclear or Cedelbank, Bills will be credited in the relevant ystems against payment. For applicants who have requested definitive Services, Bank of England after 1.30 p.m. on Thursday, 14 January 1995 Euro Treasury Bills Account No. 59005516 with Lloyds Bank PLC. Benk Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL Definitive Euro Bills will be available in amounts of euro 10,000, euro 100,000, euro 1,000,000 and euro 10,000,000 nominal.

o. The analysments for the auction are set out in more detail in the information Memorandum on the UK Government Euro Treasury Bill programme issued by the Bank of England on behalf of Her Majesty's Treasury on 7 July 1988, and in supplements to the Information Memorandum. All applications will be subject to the provisions of the

9. The euro 50 million of Euro Bills to be allotted directly to the Benk of England for the account of the Exchange Equalisation Account will be for maturity on 15 July 1999. These Bills may be made available through sale and repurchase transactions to market makers in order to facilitate 10. Cooles of the Euro Bill Information Memorandum (and supplem

to it) may be obtained from the Manager, External Dats, Foreign Exchange Division at the Bank of England (telephone number 0171 601 5982). UK Government Euro Treasury Bills are issued under the Treasury Bills Act 1877. the National Loans Act 1968 and the Treasury Bills Regulations 1968 as amended.

Bank of England 5 January 1999

To Advertise

Your Legal Notices

Please contact Melanie Miles on Tel: +44 0171 873 3349 Fax: +44 0171 873 3064

Thursday March 4

For further information please contact:

Amanda Richards Tel: +44 1446 771219 Fax: +44 870 0554851 email: amanda@wales5.demon.co.uk

or Haj Haffejee in London Tel: +44 171 873 4281 Fax: +44 171 873 4862 email: haj.haffejee@FT.com

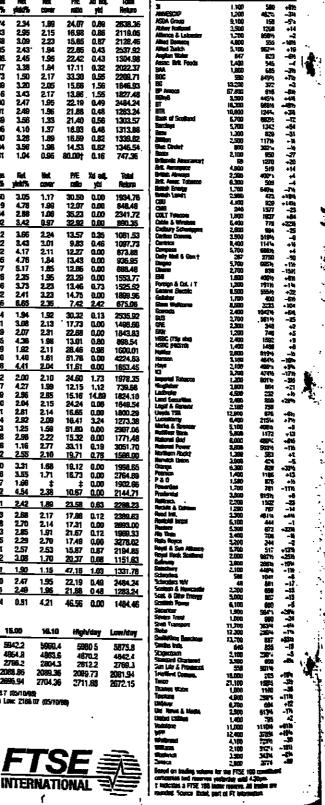
FINANCIAL TIMES No FT, no comment.

	250	4870.2	+0.4	5334.0	4851.0	4858.9	343	2.95	215	16.98	0.86	2119.05
	250 ex len Tr 360	4870.3	+0.3	5334.1	4853.4	4895.5	3.58	3.09	2.23	15.65	0.87	2128.45
	: aou : 350 ex Ion Tr	2803.9 2810.7	+1.2 +1.2	3071.0 3078.4	2770.8 2777.3	2536.9 2531.2	2.85 2.86	243° 245	1.94 1.95	22.65 22.42	0.43 0.43	2537.92 1304.98
	350 Higher Yield	2602.2	+0.4	2850.0	2590.6	2531.3	397	3.38	1.84	17.11	0.32	2022.37
	390 Lower Yield	3017.2	+1.9	3304.5	2959.6	2537.A	1,73	1.50	2.17	33.30	0.55	2209.71
	SmallCap	2069.73	+0.3	2288.73	2082.76	2335.31	3.89	3.20	2.05	15.66	1.56	1846.93
	SmallCap ex Inv Tr	2044.48	+0.2	2239.17	2039.63	2331.87	4.16	3.43	217	13.86	1.55	1827.48
	: Al-Share : Al-Share ex lay Tr	2704.09	+1.2	2961.50	2673.18	2454.74	290	2.47	1.95	22.19	0.49	2484.24
	: Pariodina : Pladolina	2714.89 1157.13	+1.2 +0.4	2973.21 1267.32	2683,45 1152,50	2471.03 1271.48	2.91 4.39	2.49 3.56	1.96 1.33	21.88	0.48 0.56	1283.24 1303.57
	Fledaling ex lay Tr	1159.88	+0.2	1270.33	1157.28	1293.R9	5.06	4.10	1.37	21,40 18,03	0.20 6.48	1313.88
	All-Small	1187.57	+0.3	1300.66	1183.45	1322.80	4.00	3.28	1.89	16.59	0.82	1339.62
FISE	All-Small ex law Tr	1184,54	+0.2	1297.35	1181,76	1345.31	4.34	3.56	1,98	14.53	0.82	1345.54
	ADA	803.5	+0.3	0.068	801.5	999.0	1.31	1,04	0.96	100.08	0.16	747.36
	FTSE Actuaries Industry	Sectors	_									
	_		Day/s	Esso Index	_,		Gross	Ret	縅	9/E	74 a4,	Total
_		Jan 5	digr*		<u>Jan 4</u>		ride(Ta	## 7	CD461.	1200	ytti	Reizm
	RESOURCES(18)	4145.78	-0.9	4540.57	4183.85	4382.48	3.50	3.05	1.17	30.50	0.00	1934.76
12 15	Extractive inclusives(6) Oil, integrated(3)	2630.58 4880.23	-0.1 -1.0	2681.09 5344.97	2632.B4 4930.B4	3132.99	5.19	4.78	1.99	12.07	0.00	848.48
_16		1421,74	+0.7	1557.14	1412.40	4770.19 3558.42	3.34 3.92	2.68 3.42	1.08 0.97	35.23 32.92	0.00	2341,72 890,35
20		1773.20	+0.6	1942.06	1763.05							
21		1209.55	-03	1324,74	1213.69	2031.22 1296.54	4.12 4.22	3.66 3.43	2.24 3.01	13.57 9.83	0.35 0.46	1081.53 1097.73
22	Building Matte & Mercha(24)	1566.64	-0.3	1715.83	1571.38	1763.72	4.82	4.17	211	12.27	0.00	673.88
23	Chemicals(20)	1802.22	-1.6	1973.85	1820.88	2825.91	5.05	4.76	1,84	13.43	0.00	935.95
24 25	Diversificat industrials(4) Electronic & Blect Equip(25)	1084.70 2772.56	-0.1	1188.00	1085.08	1305.64	5.97	5.17	1.65	12.86	0.00	888.48
25	Decironic & 1982, Equipição) Basin ect ica(54)	2318.63	+32 +84	3036.59 2537.24	2687.60 2306.32	2231.93	2.76	235	1.95	23.29	0.00	1553.77
27	Engineering, Vehicles(10)	3409.87	+1.5	3734.59	2306.32 3360.84	2817.44 3652.03	4.16 2.82	3.73 2.41	2.23 3.23	13.46 14.75	0.73 2.00	1525.52 1899.96
28	Paper, Policy & Printing(18)	1459.44	<u>-1.0</u>	1598.43	1473.94	2149.65	7.16	6.65	2.35	7.42	2.42	675.06
30	CONSIGNER GOODS(\$2)	6340.13	+25	8943.89	6188.26	5089.11	214	1.94	1.92	30.32	0.13	2535.92
	Alcoholic Beverages(5)	3733.25	-0.2	4088.77	3740.22	3308.02	3.31	3.08	2.13	17.73	0.00	4333.92 1496.60
33	Food Producers(26)	3761.53	+0.3	4119.73	3749.64	3414.44	2.39	2.07	231	22.68	0.00	1843.83
34 35	Household Goods & Texts(14)	2091.75	-0.7	2290.95	2107.26	3166.78	4.85	4.36	1.98	13.01	0.80	898.54
_	Health Care(14) Pharmacouticals(20)	2476.47 11723.45	+0.2	2712.30	2471.81	2296.46	209	1.92	2.11	28.46	0.95	1600.01
38	Tobacco(3)	6504.73	-0.9	12839.86 7124.17	6563.58	8538.74 4817.40	1.50 5.28	1.40 4.41	1.61 2.04	51.78 11.61	0.00	4224.63
_	SÉRIACES(288)	3554.31	+1.7	3832.79			_				0.00	1853.45
	Distributors(26)	1841.13	-0.5	2016.45	3495.09 1850.19	2930.94 2533.75	2.42 5.17	200 427	2.10 1.99	24.60 12.15	1.73	1978.35
42	Leisure & Hotels(31)	3177.78	+0.7	3480.40	3157.15	3546.20	2.89	256	2.85	15.16	1.12	739.68 1824.10
43	Media(47)	4315.56	+1.4	4726.53	4254,83	4231.02	2.40	2.04	215	24.24	0.06	1849.54
44	Retailers, Food(13)	2610.36 2065.03	-1.5	2858.94	2890.57	2787.35	3.5 1	2.81	2.14	16.65	0.00	1800.29
	Retaliera, General(42) Telecommunications(7)	2055.03 5897.52	+0.2	2250.73 6459.14	2050.96 5599.48	2339.16 2603.85	3.64 1.53	2.92 1.25	2.09	16.41	3.24	1273.38
	Breweries, Pube & Rest (24)	3413.50	-21	3738.57	3485.34	3629.35	3.68	1.25 2.98	1.59 2.22	51.60 15.32	0.00	2907.06
48	Support Services(69)	4604.16	-0.2	5042.61		3612.41	1.36	2.20 1.16	277	33.11	0.19	1771.48 3051.70
49	Transport(29)	3467.85	-0.2	3797,87	3475,18	3019.94	3.02	2.55	2.10	19.71	0.78	1586.00
	UTILITIES (20)	4107,81	-0.4	4498.99	4125,42	3591,48	3.90	3.31	1.68	19.12	0.00	1998.65
	Bectricity(7)	4628.04	-0.6	5068,76		4016.18	4.36	3.55	1.71	16.73	0.00	2764.89
	Ges Distribution(2) Weier(11)	3264.11 3401,60	+0.7	3574.95		2589.39	2.07	1.60	*	#	0.00	1902.66
			<u>-12</u>	3725.53	3444.30	<u>3292 17</u>	4.92	4,54	2.38	10.67	0.00	2144.71
	NON-FEMANCIAL S(600)	2772.20	+1.2	3036.19		2452.69	2.81	2,42	1.89	23.58	0.63	2288.23
	PRIANCIALS(120) Banks, Resel(12)	5102.81	+1.0	5588.74			123	2.68	2.17	17.86	0.12	2389.63
	insurance(21)	7596.06 2348.60	+0.9 +1.7	8319.43 2572.25		7339.96 2254.21	3.38	2.70	2.14	17.31	0.00	2993.00
74	Life Assurance(8)	7271.65	+0.1	7984,13			3.03 2.65	2.85 2.29	1.91 2.70	21.67	0.12	1969.33
	Other Financial(31)	3552.27	-8.3	3890.54			3.11	257	2.70 2.53	17.49 15,87	0.66 0.87	3278.02 2194.85
79	Property(48)	172ELD4	+3.0	1892.60			3.62	3.08	1.70	20.37	0.08	1151.63
80	MATESTANDIT TERRETS(117)	3619.48	+0.9	3964.16	3588.56	3463.06	231	1.90	1.15	47.16	1.03	1331.78
	FTSE All-State(837)	2704.09	+1.2	2961.60			2.90	2.47	1.95	22.19	0.49	2484.24
105	FISE All-States ex liny Tr(720)	2714.69	+1.2	2973.21		2471.03	291	249	1.96	21.88	0.48	2484.24 1283.24
العائما	sabon Technology	1476.69		1617.31			0.64	0.51	421			
	Jourty mouroments	-						0.31	421	46.56	0.00	1484,46
- '	lourly movements											
		10.00	1.00	12,00	13.00	14.00	1	5.00	16.10	Her	/day	Low/day
FISE	100 5882.3	5915.6	909.1	5887.5	5899.0	5903.7	_					<u>-</u> _
FISE			849.4	4849.3	4850.3	5903,7 4852.0	_	94 <u>2.2</u>	5960.4		905	5875.8
FISE		2785.1 2	782.5	2773.8	277B.5	4852.U 2780.6		964.B 798.2	4863.6 2804.3		70.2	4842.4
	SmallCap 2083.27		186.51	2087.93	2087.56	2089.16	_	780-2 88.86	2089.36	208	122	2769.3 2021 GJ
FISE	All-Share 2573.68	2686.55 26	84.20	2676.31						400	7.13	2081.94
-	of FTSE 100 Deg/s High: 15,47,45 Deg				2680.59	2682.55	28	96.94	2704.36	2711	GP.	2672.15

| FISE AF-Share Day's high: 15-90.00 Day's loar 12.12:00. FISE AF-Share 1998 High: 2005.20 (2007/95) Loar. 2166.07 (05/10/95)

Parther information is available on http://www.figu.com.

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FT/S&P ACTUARIES WORLD INDICES

· US Dollar Index Gross Div. Yield US Doller Index Local Currency lodex Lecal % cbg on day Day's Change Pound Starling Index 180,73 166,89 390,73 117,89 397,45 263,41 268,77 44,45 50,50 170,80 87,95 994,10 490,45 52,99 390,80 164,39 390,80 385,81 21,19 336,88 451,96 199,31 184,32 418,99 132,99 132,99 132,99 132,99 327,18 230,95 347,84 307,48 307,48 176,88 100,49 1142,08 152,59 50,01 218,54 90,34 257,03 276,103 276,103 376,103 376,103 376,103 177,62 164,26 373,44 177,57 445,47 1512,75 251,53 252,53 303,99 273,95 491,37 1592,56 1017,80 471,55 195,65 142.11 131.42 298.75 94.76 142.15 356.42 230.23 248.02 219.18 393.14 127.55 393.14 127.55 345.17 156.54 64.41 124.15 134.15 134.15 134.15 269.66 361.35 377.94 299.66 361.35 377.94 299.66 361.35 377.94 299.66 361.35 377.94 299.66 377.94 377.96 377. 144,09
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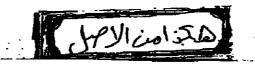
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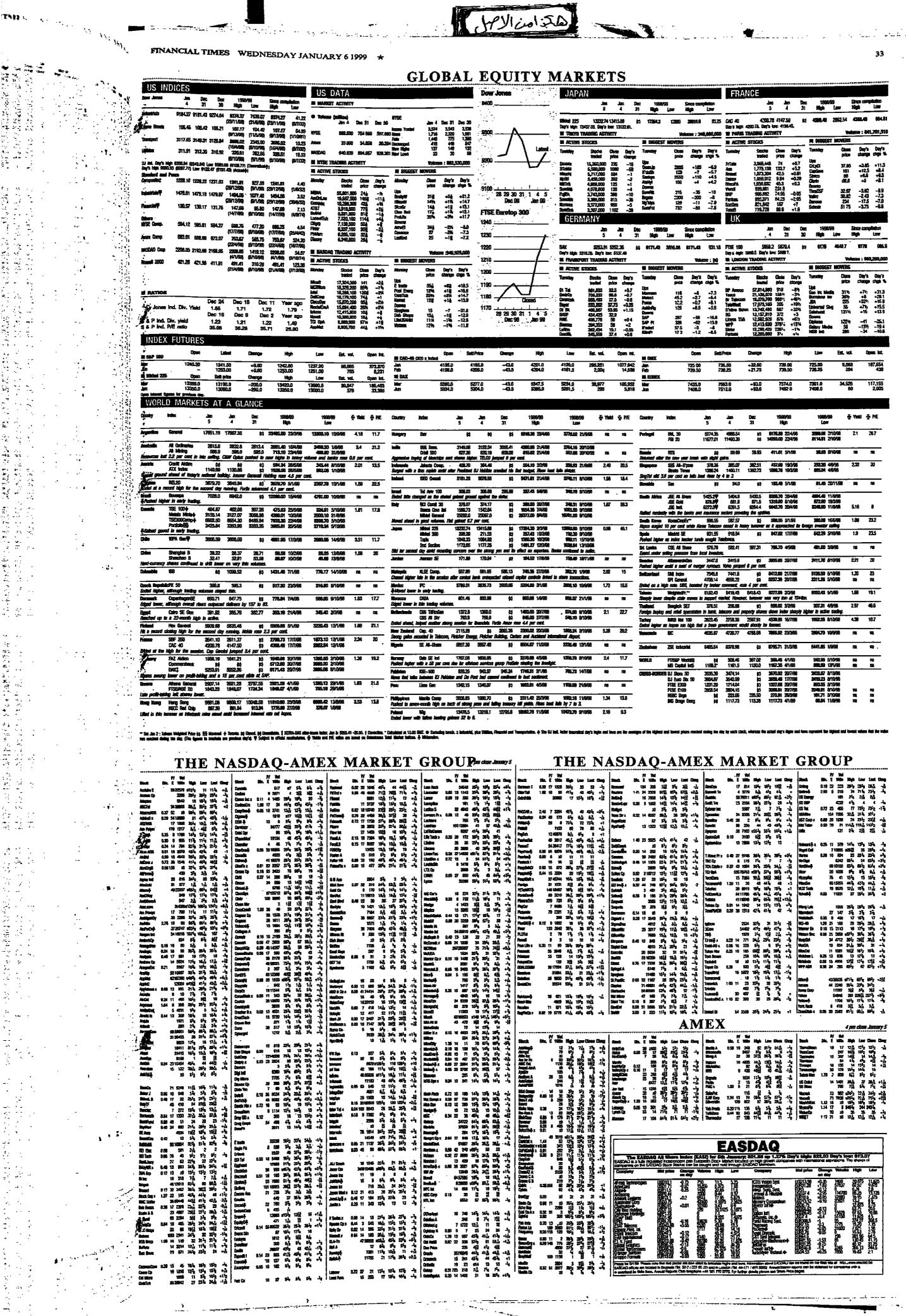
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STOCK MARKETS

Equity rally slackens as yen upstages euro

WORLD OVERVIEW

Currency movements seized the limelight from equity markets for the second day running, and the pace of rally slackened, writes Philip

This time it was the yen rather than the euro that was the focus of attention as Eisuke Sakakibara, Japan's

prevailing exchange rate lev- market, a long-time favour- denied the report. The specu-August level of Y145/\$ and trading yesterday. touched Y110.5 yesterday.

A stronger yen, of course, the new year share price harms the prospects of Japacent on the day. It also raises some potential longterm concerns if Japanese investors start to repatriate "Mr Yen", talked of the their funds in the face of Currency losses on overseas

ened sharply from its more than a point in early

The "euro-phoria" that was rampant in Monday's markets dissipated a little. nese exporters and the Nik- but there was still plenty of kei 225 duly dropped 1.4 per activity on Europe's bourses. Merger talk, which has flashed through the pharmacentical and banking sectors in recent months, settled on autos, after a press story that Ford was in talks to assets: the US Treasury bond link up with BMW - which

els. The yen has strength- ite of Japanese investors, fell lative buzz also surrounded European strategy at BT ditions, keeping equity: Peugeot, Renault, Flat and Alex Brown, says: "Happi-Volvo.

> Elsewhere, software group SAP severely disappointed investors with profits well below expectations and a in nearly all sectors, but the would slacken as demand for stocks that produce good millennium bug products dwindled. Over-optimism about corporate earnings remains one of the biggest worries for investors in expect easy money to suc-

ness for equity investors will come from defensive stocks this year. Merger and acquisition activity will continue forecast that sales growth key to performance will be

> earnings growth." Mark Howdle, European equity strategist at Salomon Smith Barney, says: "We

the Euro Stoxx 50 and 7.7 per

Ian Harnett, director of ingly adverse economic con returns in positive territory in 1999. However, we are reluctant in believe equities will deliver a fifth consecu-

tive year of 20 per cent returns in such a hostile environment. "Our fair value projections imply more modest eains in 1999: total returns in local currencies of 9 per cent on.

maker Kricsson remained in

focus, adding SKr8.50 at

Vehicle maker Volvo put

on SKr12.50 to SKr212 on

renewed speculation it could

be the subject of a takeover

bid. Analysts noted the company was also helped by

news of a surge in US car

sales in December and opti-

mism about US sales pros-

US-Swedish drugs group

Phármacia tumbled SKr28.50

to SKr444.50 after the Swed-

ish government said it would

sell its 7 per cent stake, pos-

sibly completing the transac-

MADRID rose 12.61 to

931.55 on the general index.

thanks mostly to a 7.6 per

cent surge for telecoms

leader Telefónica, which was

urgently sought by the big

Telefónica's weightings

within the leading indices

are about to be increased,

sparking heavy demand by

funds to top up portfolios.

The shares ended €3.08

pects this year.

tion this month.

tracker funds.

higher at €43.90.

bites the bullet

Brazil, once the darling of B the international investment community, is now a virtual outcast. Investors- began shuming Braglian equities in April last year, and the decline picked up in August after the Russian default. In December, the Interna-

tional Monetary Fund led an economic rescue mission to ball out Brazil with a \$41.5bn emergency package. Shares fell by an average of onethird in real terms last year. The outlook for this year is unclear. Analysts say

much depends on intangible factors, principally the willingness of an undisciplined congress to vote through tax raising and cost-cutting measures that will enable the government to meet IMF

Neil Dougail, director at 4.8 per cent. Dresdner Kleinwort Benson Although in London, said: "The one thing you can predict in Brazil is that the se is going to be a lot of volatility and a protracted period of uncertainty as to [complying with] the IMF programme."

He warned: "Anyone trying to forecast the political game cannot be totally certain that all will turn out for the best. My view is that the jigsaw pieces will eventually fall into place." And once investors sensed the government was making headway in economic policy, so the outlook for equities should begin to improve

Flavio Meneges of São Paulo's Banco Patrimonio said the focus on the macro-economy meant people were worried less about companies and more about the country's ability to pay.

Banks were initially weak as worries ran round the Perhaps the overriding concern for foreign investors is the solidity of Brazil's curmarket about the fourthquarter results season. rency, the real Fears of a which gets underway at the devaluation beyond the and confidence is absolutely end of the month. At the planned 7.5-8 per cent annual depreciation would close, the sector showed little change. Santandar was spark another sell-off of Brazilian equities.

has already accepted that this year will witness a brutal recession, with forecasts for a contraction in gross estic product as high as

Although recession and higher taxes will hurt confpany earnings, the market seems to feel that the suffering will be worth the price if it brings economic stability in its wake

Rodrigo Fines, head of equity research at Rio de Janeiro's Banco Icatu, said a peckage of tax increases in December was awful from the point of view of corporate Brazil. "But it show that the government wi hite the bullet in terms of going forward with fiscal adjustment."

Furthermore, the benefits of deregulation and privatisation are beginning to filter through: the telephone companies report that the cost of locally made equipment has already fallen 20 per cent since 1998 now that suppliers are more confident that privately managed companies will at least pay their bills.

However, Mr Fiaes said: "The question of sentiment vital and the government has to regain lost confidence and can only do that if it pushes measures through

- John Rark 3

takeover talk lifts telecoms

AMERICAS

Stocks on Wall Street rallied in active morning trading as telecoms stocks. By midday the general enthusiasm had added nearly 100 points to Average, writes John Labate.

Trading was similar to the bullish tone that sent shares broadly higher on Monday before a late sell-off took hold. By early afternoon, the Dow was 96.29 higher, a gain of more than 1 per cent. at 9,280.56 - less than 100 points off its all-time trading

The broader Standard & Poor's 500 index was 11.60 higher at 1,239,70. The breadth of the early buying was moderately strong, with advancing shares leading declining ones by 16 to 13 on the NYSE.

Telecoms shares soared after AirTouch confirmed it was reviewing a rival takeover offer from Vodafone that could top negotiations between AirTouch and Bell

AirTouch surged more than 8 per cent or \$5% to \$731/4, while Bell Atlantic gained nearly 4 per cent at Other stocks in the sector

were higher as well, notably Tellabs which advanced \$31/4

A rally in semiconductor shares helped lift the Nasdaq composite, which had gained 29.07 or 1.3 per cent at 2,237.12. Shares of Teradyne gained \$3 or more than 7 per cent at \$45% after Soundview Financial raised the stock to a "strong buy"

Philadelphia

exchange's semiconductor index up more than 4 per

Banking shares takeover speculation lifted mixed but most gained Monday ground. MBNA unchanged at \$24% after Pru-dential Securities raised its rating from "hold" to "accumulate'

Chase Manhattan was also unchanged at \$71%. Leading the Dow higher, Boeing rose more than 4 per cent to \$34%, while Interna-

tional Paper gained \$11/4 to Small-company shares trailed the rest of the market. The Russell 2000 index

of small-cap stocks rose by less than 1 point to 422.20. As stocks picked up, US Treasuries weakened with the benchmark long bond falling # to 100#, sending the yield up to 5.214 per cent. TORONTO was higher after a subdued morning's

in the pharmaceutical and high-technology sectors. At midsession, the TSE-300 composite index was 45.70 higher at 6,600, also helped by a better tone in forestry

trade, enlivened by activity

Traders said, however. that volumes had yet to return to pre-holiday levels. QLT PhotoTherapeutics surged to a 52-week high of C\$43.75 after releasing positive phase three trial results bility. for its treatment of macular

Internet auctioneer Bid.Com was another winner, up 36 cents to C\$4.16. Telecoms shares pushed higher on a broad front. Northern Telecom surged

Other chip-related stocks C\$3.60 or almost 5 per cent soared as well, sending the to C\$81.50 and BCE stock advanced C\$1.35 to C\$59.65.

Dow jumps as Dax tumbles on SAP results

EUROPE Sharply lower than expected 1998 results from SAP sent shares in the software group crashing in FRANKFURT.

The tumble also put pressure on the broader market, which saw the return of many investors who elected to sit out the first day of euro-denominated trade on

The Xetra Dax index was. however, able to recover some of its early 2.8 per cent fall. By the close it had lost 26.95 at 5,263.41. SAP, which had remained

bullish on the outlook at the half-year stage, took the market by surprise with sharply lower than expected full-year sales and profits growth.

The shares, down more than 20 per cent in early trade, recovered but still closed €59 or 15.2 per cent lower on the day at €328. Motor manufacturers

remained in the spotlight after Monday's 1998 sales figures. BMW shot up 11.5 per cent to a four-month high in early trade on a retelling of rumours that it might be a takeover target for Ford. But after a denial from the

Munich-based group, the shares settled €8.50 higher at DaimlerChrysler slipped 72 cents to €86.78, while VW

edged up.80 cents to €76. In a mixed banking sector, Dresdner put on 75 cents to €37.60 as it confirmed it was Pharmaceutical group spinning off DM25bn (€12.78bn) worth of stakes into separate companies in an attempt to increase flexi-

Deutsche Bank nut on 90 degeneration, a leading cents to €53.89 on news it Unicredito.

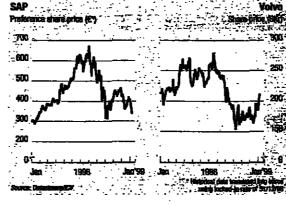
Deutsche Telekom, 29 cents firmer at €32.72 lost momentum after Monday's 15.6 per cent surge. Its competitor, Mannesi ann, put on €6.80 to €116.30 on merger

PARIS ended at its best

level of the session with the

CAC-40 index up 53.28 or 1.3 per cent at 4,200.78 in improved volumes.

Selected banks and motors rumours about links with Ford or Nissan of Japan. Peugeot put on €3.90 at €140. UBS after Goldman Sachs



In banks, Société Générale added the bank to its Eurogained €7 at €157 and Paripean recommended list of bas €2.05 to €84:25 for a two-day gain of 14.5 per cent. end-1999 price target of News of a near 15 per cent SF1513. One trader saw the move rise in mobile subscribers in

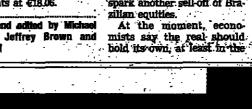
December reversed early as "a clear upgrade" for profit-taking at France Tele-UBS, which was also meetcom, which ended 70 cents ing demand because it is part of the Storx 50 index. higher at €74. Cap Gemini surged 8.4 per UBS put on SFr20.50 to cent on investors switching SFr460 and the SMI index

out of Germany's SAP, sendfinished 104.0 higher at ing shares up €12.50 at €161. 7.545.80. Retailer Promodès rose . CS Group, the country's other major bank to rally €23.50 to €678.50 helped by a "market performer" recomstrongly on Monday, rose mendation by Goldman another SFr4.75 to SFr239.25. STOCKHOLM was higher Sachs, which has initiated as telecom-related stocks

remained in demand and Valeo moved lower for the second day, sliding €3.85 or merger speculation boosted 5.8 per cent to €62.15 after a the motor sector. number of brokers turned The general index ended negative ahead of the motor component group's fourth-

33.06 higher at 3,362.41 but trade was thin ahead of today's Epiphany holiday. Telecoms equipment

up 7 cents at €18.06. Written and adited by Michael



Earnings worries leave Mexico City mixed

MEXICO CITY was mixed in early trade as early strength in the peso bolstered heavyweight stocks while a lack of fresh news brought pressure to bear on the broad market. By midsession, however, the IPC index was register-

cent to 3,781.93. Analysts noted that trade was still muted by concerns over the impact on company earnings of the tight 1999 budget approved in the closing hours of 1998.

recovering from Monday's dip, helped up by an overnight lift from its Americal Depositary Receipts on Wall

at midsession, boosted by the morning's strength on Wall Street and bid speculation surrounding the domes-

Benchmark Telmex rose 15 centavos to 23.95 pesos,

ing a fall of 53.80 or 1.4 per

tic oil sector.

BUENOS AIRES was firm

In early afternoon trade, the Merval index was 5.84

rose €5.30 to €65.80 on news were driven higher. Renault it was set to buy 80 per cent rose 61 cents to €42.50 amid of a US options specia ZURICH was carried along

Johannesburg

jumped 4.1 per cent to 1.2 per cent at R6.42. The financials index rose 1.2 per cent to 8.453.2.

quarter results.

just eight-points.

AMSTERDAM ended 7.56

or 1.4 per cent up at 566.51

on the AEX index after trad-

ing within a narrow range of

Financials were again a

firm feature with ABN Amro

adding 60 cents at €19.25 in active options-driven trad-

Fortis Amev rose €3.30 to

Telecoms leader KPN had

another strong session,

adding €1.75 to €50 for a

two-day gain of almost 17

per cent. On the downside, Baan suffered from sector

jitters, sliding 55 cents or 5.5 per cent to €9.50 on the dis

appointing results statement

Listed broker Van Moolen

by a strong performance in

from SAP.

Banks and insurances rebound

Industrials were little changed at 6,272.3, up 0.2 per cent, while golds slipped a

SOUTH AFRICA

modestly thanks to a strong rebound for banks and insurance shares. At the close, the all share index was 20.3 higher at 5,425.2. In financials, Nedcor

further 0.4 per cent to 878.8.

rally, slipping 8 cents to siastic response to the gov-ernment's budget plans and

Dealers said the market also derived support from a strengthening in the rupiah against the dollar, and the so-called "January effect", which has seen the market rise between 8 and 20 per cent at the start of each of the last five years as foreign investors target blue chips.

issued to help recapitalise the stricken banking sector would be around 20 per cent.

for government bonds to be

The composite index rose 10.98 to 598.55 as Kepco shot цр Won3.000 to Won38.000.

Close or Close?

To Hoechst the difference is DM 780 million.

Yen strength depresses Tokyo

ASIA PACIFIC

Shares in TOKYO (ell for the second trading day of 1999, amid concerns that a stronger yen would hurt the earnings of major exporters, writes Alexandra Nusbaum.

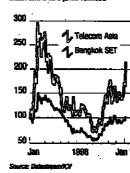
The Nikkei 225 Average fell 183.15 or 1.4 per cent to 13,232.74 after trading between 13,122 and 13,437. The weighted Nikkei 300 dropped 1.6 per cent or 3.3 to 208.20. The Topix index of all first-section shares closed down 1.6 per cent or 16.59 to 1.048.33.

Volume was modest with 340.86m shares traded. Canon dropped Y120 to Momentum was down with 829 declining, 299 advancing and 147 unchanged.

The yen closed at Y111 to the dollar after a newspaper quoted Japan's vice-finance minister for international affairs, Eisuke Sakakibara, as saying that the US economy looked "bubble-like".

The strong yen pushed down global blue chips that rely on revenue from exports. Bridgestone fell Y200 to Y2,300, adding to a 6.5 per cent drop in the rubwas down Y280 to Y7.770 and to Y334 after denying reports rose 20 cents to NZ\$8.45 and

todax and stare price rebased



Sakura Bank fell Y18 to

The yield on the 10-year ent bond fell 8 basis points to 1.91 per cent, but investors showed concern over future rate rises and rate-sensitive sectors. Real estate fell 6.3 per cent and banks 2.43 per cent.

Y235 and Bank of Tokyo-Mitsubishi Y58 to Y1,080. Sumitomo Bank was down Y39 to Y1,102 on news that it had not developed details on its capital-raising plan.

Nissan Motor dropped Y16 upbeat mood. NZ Telecom

another carmaker to forge In Osaka, the OSE fell 298

to 14,209. BANGKOK shot higher as retail investors made up for the new year lull with a wave of buying. Banks gained 7.6 per cent and the property index rose 6.1 per nt. In active turnover of Bt6.7bn, the SET index closed with a gain of 6.1 per cent. up 21.83 at 378.51.

Telecom Asia topped the

performance charts, helped by rumours the group was set to dispose of its stake in United Broadcasting. The shares advanced almost 15 per cent or Bt4.40 to Bt18.75. TAIPEI mostly tracked Japanese equities, falling to a 29-month low in weak volumes in spite of support from the state stabilisation

The weighted index ended off 266 or 4.1 per cent at 6,152.43. Blectronics lost 4 per cent and the financials index came off 5.4 per cent. WELLINGTON pushed higher as investors returned from their new year break in N2\$3.85. Brewer Lion Nathan failed to share in the

JAKARTA gave an enthuthe composite index, dull earlier in the day, picked up to close 14.24 or 3.6 per cent higher at 408.70.

Financials were in demand after the central bank governor said that coupon rates

SEOUL was sent higher by foreign demand for Kores Power, while the broader market consolidated as profits were taken after the recent rally.

Private Equity

Morgan Grenfell

Being close to a deal is one thing, but the ability to close a deal is quite another. That's the strength of Morgan Grenfell Private Equity.

Deutsche Bank Group

